Form 1120
TREASURY DEPARTMENT
Internal Revenue Service

Collector's Number

FORM 1004 MUST BE FILED WITH THIS RETURN

CORPORATION INCOME AND EXCESS-PROFITS TAX RETURN

For Calendar Year 1934

Page 1 of Return

File Code

or Fiscal Year beginning 1934, and ended 1935

Serial Number 401537

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

TRANSIGRAFT ENGINEERING CORPORATION

4439 SANTA FE AVE.,

LOS ANGELES, CALIFORNIA.

Date of Incorporation 1934

Under the Laws of United States or Country CALIFORNIA

The Corporation's Books are in Care of SAME Address SAME

Kind of Business (In detail) ENGINEERING

Is a Foreign Corporation, State Whether Resident or Nonresident

Is the Corporation a personal holding company within the meaning of Section 351 of the Revenue Act of 1934? NO

ATTACH REMITTANCE HERE

GROSS INCOME

Line and Schedule No.

1 Gross Sales (where inventories are not an income determining factor) $

2 Less Cost of Gross Sales

(a) Inventory at beginning of year $

(b) Material or merchandise bought for resale $

(c) Miscellaneous costs (from schedule) $

(1) Salaries and wages $ (2) Other costs $

(d) Total of items (a), (b), and (c) $

(e) Less inventory at end of year $

4 Gross Profit from Sales (Item 1 minus Item 3) $

5 Gross Receipts (where inventories are not an income determining factor) $

6 Less cost of operations (from schedule) $

(a) Salaries and wages $ (b) Other costs $

7 Gross Profit (where inventories are not an income determining factor) (Item 5 minus Item 6) $

8 Interest on Loans, Notes, Mortgages, Bonds, Bank Deposits, etc.

9 Rents

10 Royalties 27,165.23

11 Capital Gain or Loss (from schedule)

12 Interest on Liberty Bonds, etc. (from schedule)

13 Dividends on Stock of

(a) Domestic Corporations subject to taxation under Title I of Revenue Act of 1934

(b) Domestic Corporations not subject to taxation under Title I of Revenue Act of 1934

(c) Foreign Corporations

14 Other Income (from schedule)

15 Total Income (Items 4 to 14 inclusive) 27,165.23

DEDUCTIONS

16 Compensation of Officers (from schedule) 10,000.00

17 Rent on Business Property

18 Repairs (from schedule)

19 Interest

20 Taxes (from schedule) 275.28

21 Losses by Fire, Storm, etc. (from schedule)

22 Bad Debts (from schedule)

23 Dividends (from schedule)

24 Depreciation (including Depletion of Mines, Oil and Gas Wells Under Section 114)

25 Depletion of Mines, Oil and Gas Wells Under Section 114

ATTACH REMITTANCE HERE

GROSS INCOME

DEDUCTIONS

SCHEDULE E - BALANCE SHEETS (See Instructions 14)

	Beginning of Taxable Year		End of Taxable Year	
ASSETS				
1 Cash				11 183.78
2 Notes				
3 Accounts			1 669.22	1 669.22
4 Inventories				
a Raw materials				
b Work in process				
c Finished goods				
d Supplies				
Investments				
5 Obligations of domestic corporations				
6 Other investments				
7 Depreciable assets				
8 Less				
Net				
9 Depletable assets				
10 Less				
Net				
11 Land			392.00	392.00
12 Other assets				
13 Total assets				29 303.29
LIABILITIES				
14 Accounts payable				
15 Mortgages, notes, bonds payable				
16 Other liabilities				
17 Capital stock				30 038.29
18 Surplus				
19 Total liabilities				1 076.00

	[illegible]	[illegible]
		[illegible]
		[illegible]

SCHEDULE L RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

	15 732 99		
		PATENT AMORTIZATION	10 000 00
		INCOME TAXES	2 359 95
1. Total of Lines 1 to 4 inclusive	15 732 99		
6. Total from Line 5	12 359 95		
7. Net profit or loss for year as shown by books before any adjustment against net profit (Line 1 minus Line 6)	3 373 04		12 359 95
8. Surplus and undivided profits as shown by balance sheet at beginning of preceding taxable year			
9. Other credits to surplus to be detailed			
10. Total (Line 7 plus Line 9)	3 373 04		
11. Total from Line 8			
12. Surplus and undivided profits as shown by balance sheet at end of taxable year (Line 10 minus Line 11)	3 373 04		

NET INCOME (OR DEFICIT) REPORTED IN RETURN FOR CALENDAR YEAR OR FOR FISCAL YEAR ON

1. Net income $ NONE

NATURE OF BUSINESS

2. Check the block to indicate the industrial group in which the principal business is conducted

MANUFACTURING

Food and kindred products

Textile mill products

Apparel, finished products from fabrics and similar materials

Lumber and wood products, except furniture

Furniture and fixtures

Paper and allied products

Printing, publishing and allied industries

Chemicals and allied products

Petroleum refining and related industries

Rubber products

Leather and leather products

Stone, clay and glass products

Primary metal industries

Fabricated metal products, except machinery and transportation equipment

Machinery, except electrical

Electrical machinery, equipment and supplies

Transportation equipment

Instruments and related products

Miscellaneous manufacturing

Ordnance and accessories

Aircraft and parts

Aircraft engines and parts

Aircraft equipment

Missiles and parts

Spacecraft and parts

Spacecraft equipment

Ordnance and accessories

Other manufacturing

MANUFACTURING

Motor vehicles and equipment

Other transportation equipment

Instruments and related equipment

Motor vehicles, new parts and equipment

Machinery, factory, shop and farm, including tractors, except electrical, except construction, except farm

Machinery, agricultural and equipment

Machinery, construction and equipment

Machinery, office, building, commercial, except electrical, except construction, except farm

Miscellaneous equipment, except furniture, except electrical, except construction, except farm

Office equipment

Motor building materials and equipment

Plumbing, heating, etc.

Electrical motor products and processes

Other motor products and processes

Miscellaneous manufacturing

Building complete or parts

Miscellaneous equipment, except electrical, except construction, except farm

Miscellaneous equipment, except electrical, except construction, except farm

PRODUCTS OR SERVICES

Wholesale trade

Retail trade

Transportation

Communication

Electric, gas, water and other public utilities

Finance, insurance and real estate

Service industries

Other industries

BASIS OF RETURN

ACCRUAL

VALUATION OF INVENTORIES

NONE

5. Total of Lines 1 to 4, inclusive	15 732 99
6. Total from Line 14	12 359 95
7. Net profit or loss for year as shown by books, before any adjustments are made thereon (Line 5 minus Line 6)	3 373 04
8. Surplus and undivided profits as shown by balance sheet at close of preceding taxable year	
9. Other credits to surplus (to be detailed)	
10. Total of Lines 7 to 9, inclusive	3 373 04
11. Total from Line [illegible]	
12. Surplus and undivided profits as shown by balance sheet at close of taxable year (Line 10 minus Line 11)	3 373 04

12 359 95

NONE

NET INCOME (OR DEFICIT) REPORTED IN RETURN FOR CALENDAR YEAR 19[illegible] OR FISCAL YEAR 19[illegible]

1. Net income $ [illegible] (or deficit) $ NONE

NATURE OF BUSINESS

2. Check the block to indicate the industrial division in which the activity [illegible] producing business falls.

[Agriculture and related activities, including fishing, forestry [illegible] mining [illegible] properties

[Mining and quarrying, including gas and oil wells [illegible] properties

MANUFACTURING

Food and kindred products

Bakery and confectionery products

[Canned products (fish, fruit, vegetables, [illegible])

[Mill products (grain, flour, [illegible])

[Packing house products [illegible]

[Sugar [illegible] refining

[Other food products [illegible]

[Beverages, soft drinks, [illegible]

[Brewing and distilling [illegible]

[Tobacco products

Textiles:

[Cotton goods [illegible] dyeing

[Woolen and worsted goods [illegible]

[Silk and rayon goods [illegible]

Carpets, floor coverings [illegible]

Other textiles [illegible]

Clothing [illegible]

Knit goods [illegible]

Leather boots, shoes [illegible]

Other leather products [illegible]

Rubber tires and tubes

Other rubber goods [illegible]

[illegible]

Sawmill and planing mill products

Other wood products [illegible]

Paper, pulp and products

Printing, publishing, and allied industries

LL Petroleum and other mineral oil refining and products

Chemicals [illegible] products, [illegible]

Allied chemical substances, drugs, [illegible]

Paints, pigments, varnishes, etc.

Fertilizers

Stone, clay, glass and related products

MANUFACTURING [illegible]

Metal products and processes

[illegible]

[illegible] and railroad equipment

Motor vehicles, complete or parts

Machinery [illegible]

Machinery, agricultural and equipment

Machinery, electrical and equipment

Machinery, other [illegible] building, construction [illegible] and mining machinery and equipment

Household equipment, [illegible] sewing machines, washing machines, etc.

Office equipment

Metal building material and equipment

Hardware, tools, etc.

Precious metal products and processes

Other metals, products and processes

Miscellaneous manufacturing

Railway [illegible] or parts

[illegible]

Airplanes, airships, [illegible] parts

Construction [illegible]

Transportation [illegible]

Public utilities [illegible]

Storage [illegible]

Trade

Wholesale

[illegible]

Wholesale and retail

Commission

[illegible]

LL [illegible]

Finance

[illegible]

AFFILIATIONS WITH OTHER [illegible]

NO

NO.

[illegible] BUSINESS

NO

NO

BASIS OF RETURN

NO

ACCRUAL

VALUATION OF INVENTORIES

NONE

PREPARATION OF RETURN [illegible]

YES

C. [illegible] C. P. A. AND ASSOCIATES, 539 SO. [illegible] ST., LOS ANGELES, CALIF.

LIST OF ATTACHED SCHEDULES

0-3

Page [illegible] of Return

SCHEDULE A [illegible]

Item	Amount
Salaries and wages	$
Other costs	

Item	Amount
Salaries and wages	$
Other costs	

SCHEDULE B CAPITAL GAINS AND LOSSES (See Instruction 10)

Description of Property	Date Acquired	Date Sold	Cost or Basis	Gross Sales Price	Net Gain or Loss Reported on Schedule D, Form 1040	Net Gain or Loss Allowable in Schedule D, Form 1040	Net Gain or Loss Reported on Form 1040
			$	$	$	$	$

Net Gain or Loss (enter as Item 10). Capital losses are allowable only to the extent of $2,000 plus capital gains. $

State how property was acquired. If whether at time of sale or exchange purchasers received stock [illegible] in value of your outstanding stock.

Every sale or exchange of stock should be reported in detail, including name and address of corporation, class of stock, number of shares, capital [illegible] affecting [illegible] stock dividends, other contracts or dividends, stock rights, etc.

Cost of property must be entered in column 5 if a loss is claimed in column 9.

SCHEDULE C COMPENSATION OF OFFICERS (See Instruction 13)

Name of Officer	Office Held	Time Devoted to Business	Salary	Fees	Total
E. W. LANE		ALL			$ 5,000.00
E. T. BELLS		ALL			5,000.00

Name of officer [illegible] compensation in excess of $1,000 was paid to any officer or employee.

SCHEDULE D COST OF REPAIRS (See Instruction 17)

Item	Amount
Salaries and wages	$
Other costs	

SCHEDULE E TAXES PAID (See Instruction 17)

Item	Amount
CAPITAL STOCK TAX	$ 250.00
CALIFORNIA FRANCHISE TAX	25.00
CHECK TAX	2.28
	277.28

SCHEDULE F EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC. (See Instruction 20)

Kind of Property	Date Acquired	Date Sold	Depreciation Allowed	Depreciation Allowable	Depreciation Allowable Since Acquisition	Depreciation Allowable Since Acquisition
			$	$	$	$

State how property was acquired

SCHEDULE G BAD DEBTS (See Instruction 21)

Year	Bad Debts Accrued	Bad Debts Paid
1930	$	$
1931		
1932		
1933		
1934		

SCHEDULE H INCOME FROM DIVIDENDS (See Instruction 12)

Describe below all dividends received during the year showing the amount and the name and address of the corporation which declared the dividend.

SCHEDULE I EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 23)

Kind of Property	Date Acquired	Cost or Basis (Not Including Land)	Depreciation Allowable Since Acquisition	Depreciation Allowable for Current Year	Depreciation Allowable Since Acquisition	Depreciation Allowable Since Acquisition	Depreciation Allowable Since Acquisition
		$	$	$	$	$	$

SCHEDULE J INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 11)

SCHEDULE C COMPENSATION OF OFFICERS (See Instruction 6)

Name of officers	Office	Time Devoted to Business	Amount of compensation	
			Common	Preferred
E. W. LAMB		ALL		$ 5 000 00
W. T. WELLS		ALL		$ 5 000 00

Note: Schedule C must be completed if any officer's compensation in excess of $15,000 was paid to any officer or employee.

SCHEDULE D COST OF REPAIRS (See Instruction 7)

Item	Amount
Materials and wages	$
Other costs	

SCHEDULE E TAXES PAID (See Instruction 8)

Item	Amount
CAPITAL STOCK TAX	$ 250 00
CALIFORNIA FRANCHISE TAX	25 00
CHECK TAX	2 28
	277 28

SCHEDULE F EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC. (See Instruction 10)

Kind of property	Date acquired	Cost	Depreciation Sustained	Depreciation allowed since Acquisition	Depreciation allowable Taxable Year	Depreciation Allowable Prior Years
		$	$	$	$	$

State how property was acquired

SCHEDULE G BAD DEBTS (See Instruction 2)

Year	Amount Accrued	Amount Collected
1930	$	$
1931		
1932		
1933		
1934		

SCHEDULE H INCOME FROM DIVIDENDS (See Instruction 11)

Name or kind of dividends received during the year showing the amount and the name and address of the corporation which declared the dividend

SCHEDULE I EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 12)

Kind of Property (Buildings, machinery, furniture, etc.)	Date Acquired	Cost or Value Jan. 1, 1932	Allowance Plus Depreciation in Prior Years	Depreciation Allowable in Taxable Year	Depreciation Allowable Prior Years	Estimated Life or Average Life Before Depreciation Was	Remaining Life Prior Depreciation or Taxable Year	Depreciation Allowable This Year
		$	$	$	$			$

SCHEDULE J INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 13)

Description of Obligation	Interest Accrued	Interest Received or Accrued	Payment Made Taxable Year	Amortization or Earned or Discounted	Interest on Bonds Taxable Year
1. Obligations of the United States or possessions authorized thereof or the District of Columbia or other State obligations	$	$	All		
2. Obligations issued under Federal Farm Loan Act or under such act as amended			All		
3. Liberty bonds and other obligations of United States issued on or before Sept. 1, 1918			All		
4. Treasury notes, Treasury bills and Treasury certificates of indebtedness			All		
5. Liberty bonds and Treasury bonds. Obligations of other corporations the interest from which is not taxable			All		
Totals		$			$

AFFIDAVIT (See Instruction 30)

We, the undersigned president or vice president or other principal officer and treasurer or assistant treasurer or chief accounting officer of the corporation for which this return is made, being severally duly sworn each for himself, depose and says that the return, including the accompanying schedules and statements, if any, has been examined by us, to the best of our knowledge and belief a true, correct and complete return, made in good faith, for the taxable year stated. Pursuant to the Revenue Act of 1926 and the Regulations issued thereunder.

Sworn to and subscribed before me this 15th day of March 1933.

NOTARIAL SEAL

Notary Public

CORPORATE SEAL

President

Treasurer, Assistant Treasurer or Chief Accounting Officer

AFFIDAVIT (See Instruction 5)

I, the undersigned, do affirm that I have prepared this return for the person named herein and that the return, including its accompanying schedules and statements, if any, is a true, correct and complete statement of all the information respecting the income tax and of other matters pertaining the liability of the person for whom this return has been prepared, of which I have any knowledge.

Sworn to and subscribed before me this 15th day of March 1933.

NOTARIAL SEAL

Notary Public

Preparer of the return

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1934 RETURN

OF

CAPITAL STOCK TAX

For year ending June 30, 1934

DOMESTIC CORPORATIONS

Name: TERRA-CRAFT ENGINEERING CORPORATION

Address: [illegible] SANTA FE AVENUE, LOS ANGELES, CALIFORNIA

Name of parent company: [illegible]

Name of subsidiary: [illegible]

Nature of business: OIL TOOLS DEVELOPMENT AND ENGINEERING

Incorporated in [illegible] CALIFORNIA

DECLARATION OF THE TAX OF THE [illegible]

[illegible]

[illegible]

SECTION 701. EXCESS PROFITS TAX

(a) There is hereby imposed upon the net income of every corporation for each taxable year ending on or after [illegible] a tax equal to [illegible] per centum of the adjusted declared value of the capital stock of such corporation, plus the adjusted declared value of capital employed in the transaction of its business in excess of the preceding average net income for one of the base periods specified in section 702, as shown on its return for the taxable year, but in no case shall such tax be in excess of [illegible] per centum of the adjusted declared value of the capital stock of such corporation plus the adjusted declared value of capital employed in the transaction of its business in excess of the preceding average net income for one of the base periods specified in section 702. [illegible] For the purposes of this section the net income shall be the same as the net income for purposes of section 701 for the year in respect of which the tax under this section is imposed.

(b) All provisions of law (including penalties) applicable in respect of the taxes imposed by [illegible] shall be applicable in respect of the tax imposed by this section, except that the provisions of section [illegible] shall not be applicable.

SECTION 702. CAPITAL-STOCK TAX AND EXCESS-PROFITS TAX IMPOSED BY NATIONAL INDUSTRIAL RECOVERY ACT

Sections [illegible] of the National Industrial Recovery Act are amended to read as follows:

"(a) The capital-stock tax imposed by section 214 shall not apply to any taxpayer in respect of any year ending on or after June 30, 1934.

"(b) The excess-profits tax imposed by section 215 shall not apply to any taxpayer in respect of any taxable year ending after June 30, 1934.

(Testimony of D. S. Jeppson.)

Thereupon counsel for petitioners offered, and there was received in evidence, marked Petitioners' Exhibit 23, income tax return of Technicraft Engineering Corporation, for the calendar year 1935.

RETURN FORM MARKED "DUPLICATE" MUST BE FILED WITH THIS ORIGINAL RETURN

Page 1 of Return

CORPORATION INCOME AND EXCESS-PROFITS TAX RETURN

For Calendar Year 1935

FILED

408021

MAR 16 1936

TECHNICRAFT ENGINEERING CORP.

8839 SANTA FE AVENUE,

LOS ANGELES, CALIFORNIA.

Date of Incorporation 1935

Under the Laws of what State or Country CALIFORNIA

B. W. PETERS

8839 SANTA FE AVE.

GROSS INCOME

72 177.19

2 600.00

JUL 28 1936

204.22

74.25

10/3/36

DEDUCTIONS

LEGAL AND AUDITING

TRAVEL 218.62

ATTACH REMITTANCE HERE

GROSS INCOME

72 177 19

2600.00 2 600 00

63 577 19

204.72 13 90

Interest

74.25

DEDUCTIONS

1 840 00

23

13-T

SCHEDULE B BALANCE SHEETS

			1 564 15	
	11 143 78	11 143 78	50 00	1 564 15
	8 619 22	8 619 22	22 589 08	22 589 08
	392 100	392 00		
			100 [illegible]	100 [illegible]
			220 00	
			220 00	
			16 590	[illegible]
				10 366 77
		29 [illegible] 99		[illegible]
			2 [illegible] 100	
			4 [illegible] 57	
			2 000 100	[illegible]
		70 [illegible] 99		[illegible]

	592.00	592.00		
			100.00	100.00
			220.00	
			220.00	
			16.50	[illegible]
				[illegible]
		25,303.99		[illegible]
			[illegible]	
			[illegible]	
			2,000.00	[illegible]
		70,078.99		[illegible]
		1,076.00		
		7,500.00	2,250.00	2,250.00
	[illegible]	[illegible]	[illegible]	[illegible]
		25,000.00	25,000.00	25,000.00
		[illegible]	5,660.71	5,660.71
		[illegible]		[illegible]

K-2

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

[illegible]	[illegible]
[illegible]	2 163 29
[illegible]	7 337 19
[illegible]	36 240 05
[illegible]	[illegible]
[illegible]	2 287 67
[illegible]	3 373 04
[illegible]	5 660 71
[illegible]	5 660 71
[illegible]	[illegible]

NATURE OF BUSINESS

[illegible]

AFFILIATIONS WITH OTHER CORPORATIONS

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

ACCRUAL

[illegible]

[illegible]	48 028 20
[illegible]	18 790 53
[illegible]	2 287 67
[illegible]	3 373 04
[illegible]	5 660 71
[illegible]	5 660 71

RESERVE FOR TAXES AND LITIGATION 36 280 05

43 790 53

NATURE OF BUSINESS

MANUFACTURING

MANUFACTURING (Continued)

NON-MANUFACTURING

AFFILIATIONS WITH OTHER CORPORATIONS

NO

FOREIGN EXCHANGE

YES

NO

NO

ACCRUAL

YES

D. S. JEFFERY, [illegible] AND [illegible] SO. SPRING [illegible]

NO

SCHEDULE I

B-3

SCHEDULE A [illegible]

[illegible]	[illegible]	[illegible]	[illegible]
ROYALTIES PAID			2 600 00

SCHEDULE B [illegible] INCOME FROM SALES OR EXCHANGES ONLY [illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible] of main or exchange producers earned more than 20%

[illegible] number of shares, capital changes effect

[illegible] COMPENSATION OF OFFICERS [illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. T. [illegible]	PRES	ALL	[illegible]	5 000 00
[illegible]	VICE PRES	ALL	[illegible]	5 000 00
				10 000 00

[illegible] $[illegible] was paid to any officer or employee

SCHEDULE E TAXES PAID [illegible]

[illegible]	[illegible]
CAPITAL STOCK TAX	[illegible]
STATE FRANCHISE	[illegible]
MISCELLANEOUS	[illegible]
	[illegible]

SCHEDULE F EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, ETHERM, ETC. [illegible]

[illegible]	[illegible]	[illegible]	[illegible]

SCHEDULE G [illegible] INCOME FROM DIVIDENDS [illegible]

[illegible]

[illegible]

SCHEDULE I EXPLANATION OF DEDUCTION FOR DEPRECIATION [illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	220 00	10 YR	10 YRS	14 50
[illegible]						2 075 72
						2 090 22

[illegible]	PRES	ALL	5 000.00
[illegible]	VICE PRES	ALL	5 000.00
			10 000.00

SCHEDULE E TAXES PAID (See Instruction 10)

CAPITAL STOCK TAX	[illegible]
STATE FRANCHISE	[illegible]
[illegible]	[illegible]
	[illegible]

SCHEDULE F: EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC. (See Instruction 20)

SCHEDULE G: [illegible] INCOME FROM DIVIDENDS (See Instruction 13)

SCHEDULE H: EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

[illegible]			220.00	10 YR	10 YR	22.00
						2 673.30
						2 695.27

AFFIDAVIT (See Instruction 21)

[illegible] MAJOR [illegible]

NOTARY PUBLIC

AFFIDAVIT (See Instruction 21)

[illegible] MAJOR [illegible]

NOTARY PUBLIC

[illegible] ENGINEERING CORPORATION

DEPRECIATION SCHEDULE

REMARKS
TRADEMARKS
ABANDONED
PATENT DATED [illegible]
PATENT DATED [illegible]
ABANDONED
PATENT DATED [illegible]
PATENT DATED [illegible]
PATENT DATED [illegible]
PATENT DATED [illegible]
ABANDONED
PATENT DATED [illegible]
ABANDONED
PATENT DATED [illegible]
PATENT DATED [illegible]
PATENT DATED [illegible]
ABANDONED
PATENT DATED [illegible]
PATENT DATED [illegible]
PATENT DATED [illegible]
PATENT DATED [illegible]
PATENT DATED [illegible]

1423 DUPLICATE

1935 RETURN

OF

CAPITAL STOCK TAX

For year ending June 30, 1935

DOMESTIC CORPORATIONS

This return must be filed in duplicate with the Collector of Internal Revenue for your district on or before June 15, 1935, and the tax must be paid on or before that date.

Name: TERRYDRAFT ENGINEERING CORPORATION

Address: 4499 SANTA FE AVE., LOS ANGELES, CALIFORNIA

Name of parent corporation:

Name of affiliated:

Nature of business or trade: ENGINEERING

Incorporated or organized in: CALIFORNIA 1934

Was a capital stock tax return filed for the year ending June 30, 1934? YES

State the name:

Date of close of last income tax taxable year: DECEMBER 31, 1934

Corporations making a consolidated return should use the name of the parent corporation.

1 ORIGINAL DECLARED VALUE OF ENTIRE CAPITAL STOCK [illegible]

Corporations which have never filed a return should use the original declared value.

2 ADJUSTED DECLARED VALUE OF ENTIRE CAPITAL STOCK [illegible]

Corporations which have filed a return should use the adjusted declared value.

Corporations which have filed a return should use the adjusted declared value.

2 [illegible]

3 [illegible]

4 [illegible]

5 [illegible]

6 [illegible]

[illegible]

[illegible] STATE [illegible]

[illegible]

[illegible]

- 2 -

The schedules on this page will be filled in only by a corporation making adjustments to an original declared value for the capital stock established by the return for the year ended June 30, 1964. See instructions 5 to 10, inclusive.

SCHEDULE 1. ADJUSTMENT OF ORIGINAL DECLARED VALUE OF ENTIRE CAPITAL STOCK FOR ALL TRANSACTIONS DURING THE INCOME-TAX TAXABLE YEAR ENDED [illegible] 19[illegible]

Original declared value as established by the first return for the taxable year ended June 30, 1964	1,250,000.00
Additions:	
1. Total cash and fair market value of property paid in for stock or shares	
2. Paid-in surplus and contributions to capital	
3. Net income	15,736.99
4. Income of corporation wholly exempt from tax over the amount disallowed as deductions by section 24, [illegible] of the Revenue Act of 1964	
5. The amount of the dividend deduction allowable for income tax purposes	
Total additions	15,736.99
Total original capital plus additions	1,265,736.99
Deductions:	
1. Total cash and fair market value of property distributed in liquidation to shareholders	
2. Distributions of earnings or profits	
3. The excess of [illegible] over gross income	
Total deductions	
[illegible]	1,265,736.99

SCHEDULE 2. ANALYSIS OF CHANGES IN CAPITAL STOCK AND SURPLUS

Capital stock and surplus at beginning of year		Deductions: (Other transactions)	
[illegible]	25,000.00	1. Dividends or distributions from A. [illegible]	
		2. [illegible]	
		3. [illegible]	
		4. [illegible]	
		5. [illegible]	
		Deductions: Between transactions	
		[illegible]	
		[illegible]	
		[illegible]	
		[illegible]	
		AFTER ACCUMULATION	10,000.00
[illegible]	15,736.99	INCOME TAXES	2,353.35
Capital stock and surplus at end of year			
			27,000.00
			2,353.35
			40,736.99

(Testimony of D. S. Jeppson.)

Thereupon counsel for petitioners offered, and there was received in evidence, marked Petitioners' Exhibit 24, income tax return of Technicraft Engineering Corporation for the calendar year 1936.

FIELD

Form 1120

(Internal Revenue Service)

(Collector's Stamp)

RETURN FORM MARKED "DUPLICATE" MUST BE FILED WITH THIS ORIGINAL RETURN

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Page 1 of Return

CORPORATION INCOME AND EXCESS-PROFITS TAX RETURN

For Calendar Year 1936

or Fiscal Year begun , 1936, and ended , 1937

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

HERBLCRAFT ENGINEERING CORP.

5618 SOUTH SOTO STREET

HUNTINGTON PARK, LOS ANGELES, CALIFORNIA

File No. 404171

District

(District Code)

Case Closed Date Check of Bank

Final Payment

It is Essential, Except Where Otherwise Provided in the Instructions, That This Form be Completely Filled in. Irregularities of Any Statements, Schedules, or Reports Submitted Therewith

EXCESS-PROFITS TAX COMPUTATION

Item No.		
1	Value of capital stock as disclosed in your capital-stock tax return for year ended June 30, 1936 (or your capital-stock tax return for year ended June 30, 1937, if your taxable tax fiscal year begins in 1936 and ended on or after July 31, 1937)	$ 1 750 000 00
2	Net income for excess-profits tax computation (Item 27, page 2)	111 860 51
3	Less: Dividends received credit, 85 percent of Item 13 (a), page 2	
4	Balance of net income	111 860 51
5	Less: 10 percent of Item 1	175 000 00
6	Net income subject to excess-profits tax (carry forward to Item 7)	None

Item No.		
7	Net income subject to excess-profits tax (amount of Item 6)	None
8	Amount taxable at 8 percent (Item 7 or 8 percent of Item 1, whichever is less)	
9	Amount taxable at 12 percent (Item 7 minus Item 8)	
10	Excess-profits tax at 8 percent (8 percent of Item 8)	
11	Excess-profits tax at 12 percent (12 percent of Item 9)	
12	Total excess-profits tax (total of Items 10 and 11)	None

NOTE. Where an affiliated group of corporations makes a consolidated income tax return, the common parent corporation and each subsidiary which is liable for the making of an excess-profits tax return must make a separate excess-profits tax return on this form. (See Instructions 20.)

INCOME TAX COMPUTATION

27 Net income for income tax computation (Item 26, page 2)		111 860 51
28 Less: Interest on obligations of United States, etc. (Item 8, page 2)		
29 Dividends received credit, 85 percent of Item 12 (a), page 2 (the credit not to exceed 85 percent of Item 27)		
30 Dividends paid credit (the credit allowed only to mutual investment companies)		
31 Normal tax net income (Item 27 minus Items 28 and 29 or 28 and 30)		111 860 51
32 Tax on portion of Item 31 not in excess of $2,000.00	2 000 00	160 00
33 Tax on portion of Item 31 in excess of $2,000.00 but not in excess of $15,000.00	13 000 00	1 430 00
34 Tax on portion of Item 31 in excess of $15,000.00 but not in excess of $40,000.00	25 000 00	5 250 00
35 Tax on portion of Item 31 in excess of $40,000.00	71 860 51	18 719 00
36 Total normal tax		15 559 00
37 Surtax net income (Item 31 minus $40,000.00)		111 860 51
38 Surtax	15 559 00	
39 Total income tax (Item 36 plus Item 38)		15 559 00
40 Less: Income tax withheld at source		55 501 83
41 Balance of tax payable	40 000 00	

NOV 20 1937

INCOME TAX COMPUTATION

NORMAL TAX

1 Net income for income tax computation (item 20, page 2)		111 460 51
4 Less: Interest on obligations of United States, etc. (item 8, page 2)		
5 Dividends received credit: 85 percent of item 12 (c), page 2, but not in excess of 85 percent of item 1		
6 Dividends paid credit (but credit allowed only to mutual investment companies)		
7 Remainder net income (item 1 minus items 4 and 5 or 4 and 6)		111 460 51
[illegible]	2 000 00	160 00
[illegible]	13 000 00	1 430 00
[illegible]	25 000 00	3 250 00
[illegible]	71 460 51	10 719 06
		15 559 06
		111 460 51
	15 559 06	
		15 559 06
		95 901 45
	45 000 00	
		45 000 00
		50 901 45
		50 901 45
	9 590 14	673 31
	9 590 14	1 150 82
	19 180 29	3 260 05
	17 540 86	3 858 59
		8 943 77
		8 943 77
		24 500 85
		24 500 85

Page 2 of Return

Date of incorporation 1936 Under the laws of what State or country California

The corporation's books are in care of R. A. Peters Located at [illegible] South Santa [illegible], L. A.

Kind of business (in detail) Research & Engineering (Also check industrial division on page 4) Is this a consolidated return of railroad corporations? No If so, of how many corporations?

If this is not a consolidated income tax return of railroad corporations, did the corporation at any time during its taxable year own 50 percent or more of the voting stock of another corporation or corporations? No (Answer "yes" or "no") If so, attach separate schedule showing with respect to each corporation (1) name and address of corporation, (2) percentage of stock owned, (3) date stock was acquired, and (4) the collector's office in which the corporation's income tax return for the taxable year was filed.

Is the corporation a personal holding company within the meaning of Section 351 of the Revenue Act of 1936? No (Answer "yes" or "no") (If so, an additional return on Form 1120H must be filed.)

Did the corporation make a return of information on Forms 1096 and 1099 (see Instruction 44) for the calendar year 1936? Yes (Answer "yes" or "no")

NET INCOME COMPUTATION

Item and Instruction No.

GROSS INCOME

1. Gross Sales (where inventories are an income-determining factor) $ Less Returns and Allowances $ Net Sales $

2. Less Cost of Goods Sold:
   (a) Inventory at beginning of year $
   (b) Material or merchandise bought for manufacture or sale
   (c) Manufacturing costs (from Schedule A, Column 1): (1) Salaries and wages $ (2) Other costs $ Total
   (d) Total of lines (a), (b), and (c) $
   (e) Less inventory at end of year

3. Gross Profit from Sales $

4. Gross Receipts [illegible] income-determining factor $

5. Less cost of [illegible] Total

6. Gross Profit [illegible] Item 5

822 01

2 500 00

145 113 73

Discounts 92 08 148 527 82

DEDUCTIONS

$ 10 080 00

Wages $ Total

2 484 08

5 723 76

46 00

GROSS INCOME

1 Gross Sales (where inventories are an income-determining factor) $	Less Returns and Allowances $	Net Sales $	
2 Less Cost of Goods Sold			
(a) Inventory at beginning of year	$		
(b) Materials and merchandise bought for manufacture or sale			
(c) Miscellaneous items from Schedule A (attached)			
(d) Total			
(e) Less inventory at end of year	$		
3 Gross Profit on Sales		$	
4 Gross income from business other than sales		$	
5 Total gross income			
6 Gross income			
		822 01	
		2 580 00	
		145 115 73	
Dividends		52 08	148 527 82
		13 060 08	
		2 884 08	
		5 723 76	
		46 00	
		656 08	
		4 888 51	
		1 587 50	
		11 695 82	
			37 067 31
			111 460 51
			111 460 51

SCHEDULE A

Salaries and wages			
Other costs			

SCHEDULE B CAPITAL GAINS AND LOSSES FROM SALES OR EXCHANGE OF UNITS

SCHEDULE C COMPENSATION OF OFFICERS

W. T. WELLS	PRESIDENT	PART	12,500	5,000.00
W. L. LAKE	VICE-PRES.	PART	12,500	5,000.00
				10,000.00

SCHEDULE D [illegible]

[illegible]	PRESIDENT	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
				[illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]	STATE TREASURER	[illegible]
[illegible]	[illegible] TREASURY	[illegible]
[illegible]	COUNTY	[illegible]
[illegible]	STATE	[illegible]
		[illegible]

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SCHEDULE I CONTRIBUTIONS OR GIFTS (See Instructions I)

Community Chest	46 00

SCHEDULE J EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM ETC

SCHEDULE K EXPLANATION OF DEDUCTION FOR DEPRECIATION

Furniture	1939	226 00	16 50	209 50	10 Yrs	9 Yrs		22 00
Furniture	1936	1 054 92	—	1 054 92	10 Yrs	10 Yrs		23 89
Machinery	1936	1 293 46	—	1 293 46	10 Yrs	10 Yrs		13 13
Buildings (Steel & Concrete)	1936	150 539 98	—	150 539 98	50 Yrs	50 Yrs		527 00
								632 02

No

No

YES

No

No

ANNUAL

Furniture	1956	226 00	16 50	283 50	10 Yrs	5 Yrs	22 00
Furniture	1956	1 654 92	—	1 654 92	10 Yrs	10 Yrs	23 85
Machinery	1956	1 293 46	—	1 293 46	10 Yrs	10 Yrs	19 19
Buildings (Steel & Concrete)	1956	150 539 98	—	150 539 98	50 Yrs	50 Yrs	627 00
							692 04

No

No

Yes

No

No

Annual

Yes

D. S. Jeppson, C. P. A. and Associates,
Los Angeles

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SCHEDULE L—BALANCE SHEETS (See Instructions 40)

	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
ASSETS				
1 Cash				
a Demand deposits (including checks)	$ 1 518 15	$	[illegible] 15	
b Time deposits (including certificates of deposit)				
c All other cash	50 00	1 568 15	50 00	[illegible] 73
2 Accounts receivable				23 867 50
3 Accounts [illegible]	22 589 00		25 000 26	
a Less reserve for bad debts		22 589 00		25 000 26
4 Inventories				
a Raw materials				
b Work in process				
c Finished goods				
d [illegible]				
5 Investments in and advances to affiliated companies				
6 Other investments				
7 Mortgage and real estate loans receivable				
8 Other current assets				
9 Other loans and advances				
10 Buildings and other depreciable assets				
a Less accumulated depreciation				
11 Depletable assets				
a Less accumulated depletion				
12 Land (not depreciable)				
13 Other assets				
14 Total assets				
LIABILITIES AND SHAREHOLDERS' EQUITY				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities			158 69	
18 Loans from shareholders	180 88	180 88	57 64	215 53
19 Mortgages, notes, bonds payable in 1 year or more			150 539 98	
20 Other liabilities			1 293 66	
21 Capital stock: a Preferred stock	220 00		1 278 92	
b Common stock				
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated	220 00		153 168 36	
24 Retained earnings—Unappropriated	16 50	481 50	788 58	152 379 82
25 Less cost of treasury stock				
26 Total liabilities and shareholders' equity		10 566 77		27 047 76
27 Less amortization		57 643 68		66 518 75
28 Net income per books	8 791 37		56 569 81	
29 Federal income tax	2 [illegible] 00		70 655 69	
30 Net income after Federal income tax	2 000 00	9 043 37		83 021 10

			158 89	
	100 84	100 84	57 [illegible]	215 51
			150 539 98	
			1 293 46	
	220 00		1 278 94	
	220 00		153 108 36	
	16 50	285 50	788 58	152 399 82
LESS AMORTIZATION		10 366 77		27 047 76
		57 843 68		46 518 75
EXPERIMENTAL DEVELOPMENTS	8 781 37		52 365 81	
	2 280 00		70 655 69	
	2 000 00	9 043 37		83 001 10
		81 511 35		316 806 89
LIABILITIES				
				185 000 00
				35 087 88
			1 160 00	
			915 16	
	2 250 68	2 250 68		2 077 16
RESERVES		48 600 00		75 000 00
	25 000 00	25 000 00	25 000 00	25 000 00
	5 660 71	5 660 71	[illegible]	[illegible] 85
		81 511 35		316 806 89

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SCHEDULE M—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

[illegible]	111 860 51
[illegible]	111 860 51
[illegible]	
[illegible]	
[illegible]	
RESERVE FOR 1935 TAXES	8 600 00
Added	
[illegible]	120 060 51
[illegible]	51 838 37
[illegible]	68 622 14
[illegible]	5 060 71
[illegible]	79 282 85
[illegible]	40 000 00
[illegible]	39 282 85

[illegible]	7 308 86
[illegible]	
PATENT LITIGATION	35 000 00
[illegible]	
PATENT AMORTIZATION	5 075 71
[illegible]	53 838 37
10/31/36 [illegible] BOTH	40 000 00
[illegible]	40 000 00

		PATENT LITIGATION	35 000 00
		PATENT AMORTIZATION	9 095 71
RESERVE FOR 1935 TAXES	1 600 00		
	120 068 51		53 838 37
	51 838 37	10/31/36 BATES	40 000 00
	68 622 14		
	5 660 71		
	74 282 85		
	40 000 00		
	34 282 85		40 000 00

DUPLICATE

1936 RETURN

OF

CAPITAL STOCK TAX

For Year Ending June 30, 1936

DOMESTIC CORPORATIONS

This return must be filed in triplicate with the Collector of Internal Revenue for your district on or before July 31, 1936, and the tax must be paid on or before that date.

Name TECHNICRAFT ENGINEERING CORP.

1 Address 5499 SANTA FE AVENUE, LOS ANGELES, CALIFORNIA

3 Name of parent [illegible]

4 Name of [illegible]

5 Nature of business [illegible] Engineering and Development

6 [illegible] CALIFORNIA

7 [illegible] Yes

Los Angeles

8 DECLARED VALUE OF ENTIRE CAPITAL STOCK $1,750,000.00

9 EXEMPTIONS. [illegible]

Corporations exempt from income tax under section [illegible]

10 Declared value [illegible] 1 750 000 00

11 Tax at rate of $1.00 [illegible] 1 750 00

12 Penalty for delinquency [illegible]

13 Interest at 6 percent per annum [illegible]

14 Total tax, penalty and interest 1 750 .00

15 State amounts of outstanding capital stock [illegible]

Capital stock: Preferred			
Common	25,000	1.00	[illegible],000.00
Capital or paid-in surplus			
Surplus reserves			
Surplus and undivided profits			

We, the undersigned, E. S. Lapp Vice President and B. G. Peters Secretary [illegible] of the corporation for which the return is made, being severally duly sworn, each for himself deposes and says that this return, including any accompanying statements, has been examined by him and is to the best of his knowledge and belief a true and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1926 and the Regulations issued thereunder.

Sworn to and subscribed before me this 2 day of July, 1936

Notary Public

Vice President

Secretary

C

(Testimony of D. S. Jeppson.)

Thereupon counsel for petitioners offered, and there was received in evidence, marked Petitioners' Exhibit 25, income tax return of Technicraft Enginering Corporation, for the calendar year 1937.

FINAL RETURN

RETURN FORM MARKED "DUPLICATE" MUST BE FILED WITH THIS ORIGINAL RETURN

CORPORATION INCOME AND EXCESS-PROFITS TAX RETURN

For Calendar Year [redacted]

Page 1 of Return

[illegible] JANUARY 1 1937 and ended AUGUST 31 1937

Serial Number [illegible]

District

(Cashier's Stamp)

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

TECHNICRAFT ENGINEERING CORP.

5610 SOUTH SOTO STREET

HUNTINGTON PARK LOS ANGELES CALIFORNIA

It is Essential, Except Where Otherwise Provided in the Instructions, That This Form Be Completely Filled In irrespective of Any Statements, Schedules, or Reports Submitted Herewith

EXCESS-PROFITS TAX COMPUTATION

	Item No.		
	7. Net income subject to excess-profits tax (amount of item 6)		62 713 81
1 821 460 51	8. Amount taxable at 6 percent (item 7 or 6 percent of item 1, whichever is less)		
119 432 28	9. Amount taxable at 12 percent (item 7 minus item 8)		
	10. Excess-profits tax at 6 percent (6 percent of item 8)		
119 432 28	11. Excess-profits tax at 12 percent (12 percent of item 9)		
182 146 09			
62 713 81	12. Total excess-profits tax (total of items 10 and 11)		No TAX

INCOME TAX COMPUTATION

4299.

	119 432 28	
	119 432 28	
2 000 00	160 00	
13 000 00	1 430 00	
25 000 00	3 250 00	
79 432 28	11 914 84	
		16 754 84

	119 432 28
16 754 84	
—	
—	
—	16 754 84
	102 677 44
44 000 00	
—	44 000 00
	62 677 44

119 432 28		
119 432 28		
182 146 05		
62 713 81		86 TAX

INCOME TAX COMPUTATION

4299

	119 432 28	
	119 432 28	
2 000 00	160 00	
13 000 00	1 430 00	
25 000 00	3 250 00	
79 432 28	11 914 84	
		16 754 84

	119 432 28	
16 754 84		
—		
—		
—	16 754 84	
	102 677 40	
40 000 00		
—	40 000 00	
	62 677 40	
	62 677 40	
10 [illegible] 74	718 74	
10 [illegible] 74	1 232 13	
[illegible]	3 491 03	
[illegible]	4 517 81	
1 [illegible] 76	289 16	
	10 248 87	
	—	
		10 248 87
		(27 003 71)
		27 003 71

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Page 1 of Return

Date of incorporation 1934 Under the laws of the State of country CALIFORNIA

The [illegible] of B. H. PETERS [illegible] 5610 SOUTH SOTO STREET, LOS ANGELES

Kind of business [illegible] RESEARCH AND ENGINEERING [illegible] NO [illegible]

of the main corporation?

[illegible] NO [illegible]

[illegible] NO [illegible]

[illegible] NO

[illegible] YES

NET INCOME COMPUTATION

SET INCOME COMPUTATION

Page 3 of Return

SCHEDULE A

SCHEDULE I CONTRIBUTIONS OR GIFTS

SCHEDULE J EXPLANATION OF DEDUCTIONS FOR LOSSES BY FIRE OR STORM

SCHEDULE K

Page 8 of Return

SCHEDULE L—BALANCE SHEETS (See Instructions)

Item	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
ASSETS				
1 Cash				
a Demand deposits (including checks)	$ 602 19		$ 18 817 25	
b Time deposits (including certificates of deposit)				
c All other cash	50 00	652 19		18 817 25
2 Notes receivable		23 467 50		8 500 00
3 Accounts receivable	$ 25 084 26		$ 60 069 17	
a Less reserve for bad debts	—	23 084 26	—	60 069 17
4 Inventories				
a Raw materials	$		$	
b Work in process				
c Finished goods				
d Supplies				
5 Investments in and advances to affiliated companies				
a Bonds of affiliated companies				
b Stocks of affiliated companies				
c Other investments				
6 Other investments				
7 Other current assets				
8 Deferred charges				
9 Other assets				
10 Land				
11 Buildings				
12 Less accumulated depreciation				
13 Machinery and equipment				
14 Less accumulated depreciation				
15 Furniture and fixtures				
16 Less accumulated depreciation				
17 Other fixed assets				
18 Less accumulated depreciation				
19 Patents				
20 Other intangibles				
21 Total assets				
22 Less amortization				
23 Other				
24 Experimental developments				
25 Organization				
26 Total				

Less Amortization

Experimental Development

Oil Properties

SCHEDULE RECONCILIATION OF NET INCOME AND ANALYSIS OF ACCOUNT IN SURPLUS

[illegible]	119 832 28
[illegible]	119 832 28
[illegible]	33 831 87
[illegible]	85 600 57
[illegible]	34 282 85
[illegible]	278 47
[illegible]	126 161 69
[illegible]	64 500 85
[illegible]	55 660 84

[illegible]	27 095 71
PATENT AMORTIZATION	6 828 16
[illegible]	33 831 87
[illegible] NOTES	80 000 00
1936 FEDERAL INCOME TAX	28 500 85
[illegible]	64 500 85

LIABILITY FOR FILING RETURNS

Corporations generally. [illegible]

Domestic corporations within the possession of the United States. [illegible]

Foreign corporations. [illegible]

[illegible]

SIGNATURES AND VERIFICATION

[illegible]

PAYMENT OF TAX

[illegible]

[illegible]	119 832 28
[illegible]	33 831 87
[illegible]	85 600 37
[illegible]	34 282 85
Refund 1935 Income Tax	278 47
[illegible]	120 161 69
[illegible]	64 [illegible] 85
[illegible]	55 [illegible] 84

Total of Line [illegible]		33 831 87
Dividends paid during the taxable year [illegible] stock of the corporation [illegible]		
(a) Date paid [illegible]	Notes	40 000 00
(b) Date paid [illegible]		
(c) Date paid [illegible]		
(d) Date paid [illegible]		
Other debits to surplus [illegible]		
1936 Federal Income Tax		24 500 85
[illegible]		64 500 85

LIABILITY FOR FILING RETURNS

Corporations generally. [illegible] association, [illegible] insurance [illegible] the Revenue Act of 1936 [illegible] having any [illegible]

Domestic corporations within the possessions of the United States. [illegible]

Foreign corporations. [illegible] United States [illegible]

Insurance companies [illegible] of the Revenue Act [illegible]

Mutual insurance companies other than life insurance companies [illegible]

[illegible]

TIME AND PLACE FOR FILING

[illegible]

located. In the case of a foreign corporation having [illegible] in the United States the return shall be filed on or before [illegible] of the sixth month following the close of the taxable year. [illegible] dated income tax return is filed by an affiliated group [illegible] the separate excess-profits tax returns of [illegible] each subsidiary corporation must be filed [illegible] consolidated income tax return is filed.

The commissioner of internal revenue may grant a reasonable [illegible] filing a return [illegible] to exceed six months [illegible]

SIGNATURES AND VERIFICATION

[illegible]

PAYMENT OF TAX

[illegible]

For deficiency due to negligence [illegible]

AFFIDAVIT [illegible]

[illegible]

NOTARY PUBLIC

AFFIDAVIT [illegible]

[illegible]

NOTARY PUBLIC

[illegible], C.P.A., and Associates
[illegible] South [illegible]

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[illegible]

[illegible]

[illegible]

(Testimony of D. S. Jeppson.)

SUMMARY COMBINED BALANCE SHEETS

"Lane-Wells" Companies, Technicraft Engineering Corp., and Alexander Anderson, Inc.

August 31, 1937

	The Lane-Wells Co.	The Lane-Wells Co. of Texas	The Lane-Wells Co. of Oklahoma	Technicraft Engineering Corp.	Lane-Wells International	Alexander Anderson, Inc.	Combined
ASSETS							
Current Assets:							
Cash on Hand and in Banks	9,017.57	21,131.65	4,116.92	18,817.25	3,165.61	462.19	56,711.19
Accounts, Notes and Contracts Receivable—Net	39,798.38	157,547.92	40,704.32	11,492.74	10,492.83	31,753.98	291,790.17
Inventories	117,294.41	—	—	—	—	—	117,294.41
Total Current Assets	166,110.36	178,679.57	44,821.24	30,309.99	13,658.44	32,216.17	465,795.77
Deferred Charges:							
Field Service Materials and Supplies	26,320.25	68,581.20	18,632.53	—	37,476.43	—	151,010.41
Small Tools	4,658.23	41,858.65	8,323.06	179.45	12,093.01	—	67,112.40
Prepaid Insurance	2,587.54	3,307.40	1,953.06	533.67	487.71	786.30	9,655.68
Prepaid Rent	—	45.16	—	—	788.11	—	833.27
Patterns, Moulds, and Dies	1,109.68	—	—	—	166.68	—	1,276.36
Leasehold Improvements	178.08	2,339.30	1,164.04	—	—	—	3,681.42

(Testimony of D. S. Jeppson.)

Summary Combined Balance Sheets—(Continued.)

"Lane-Wells" Companies, Technicraft Engineering Corp., and Alexander Anderson, Inc.

August 31, 1937

	The Lane-Wells Co.	The Lane-Wells Co of Texas.	The Lane-Wells Co. of Oklahoma	Technicraft Engineering Corp.	Lane-Wells International	Alexander Anderson, Inc.	Combined
Assets—(Continued.)							
Prepaid Miscellaneous	306.14	2,422.55	—	—	—	—	2,728.69
Prepaid Taxes	1,386.55	2,614.99	298.06	—	—	37.41	4,337.01
Total Deferred Charges	36,546.47	121,169.25	30,370.75	713.12	51,011.94	823.71	240,635.24
Fixed Assets (Less Depreciation):							
Land	—	18,377.56	—	27,047.76	—	10,500.00	55,925.32
Buildings (complete and under construction) Net	—	33,385.35	—	156,116.59	—	8,858.90	198,360.84
Shop Machinery and Equipment—Net	42,111.15	741.23	30.60	1,378.25	—	9,431.20	53,692.43
Field Service Trucks and Equipment—Net	8,619.88	118,532.79	15,077.72	—	17,878.58	22,890.79	182,999.76
Other Autos and Trucks—Net	4,671.69	2,193.60	2,890.22	—	1,138.70	10,940.09	21,834.30
Furniture and Fixtures—Net	8,387.35	3,691.82	1,591.91	1,162.12	—	48.25	14,881.45
Total Fixed Assets	63,790.07	176,922.35	19,590.45	185,704.72	19,017.28	62,669.23	527,694.10

(Testimony of D. S. Jeppson.)

Summary Combined Balance Sheets—(Continued.)

"Lane-Wells" Companies, Technicraft Engineering Corp., and Alexander Anderson, Inc.

August 31, 1937

	The Lane-Wells Co.	The Lane-Wells Co. of Texas	The Lane-Wells Co. of Oklahoma	Technicraft Engineering Corp.	Lane-Wells International	Alexander Anderson, Inc.	Combined
Assets—(Continued.)							
Other Assets (Less Amortization):							
Patents and Patents Pending—Net	—	—	—	44,034.79	—	51,145.63	95,180.42
Oil Rights	—	—	—	11,655.69	—	—	11,655.69
Development Work	—	—	—	24,413.83	—	—	24,413.85
Consignments in—Contra	—	—	—	—	—	21,038.50	21,038.50
Franchise Rights	11,603.55	—	—	—	—	—	11,603.55
Total Other Assets	11,603.55	—	—	80,104.33	—	72,184.13	163,892.01
Inter-Company Balances	241,136.08	50.00	9,438.71	37,076.43	—	16.08	—
Total Assets	519,186.53	476,821.17	104,221.15	333,908.59	83,687.66	167,909.32	1,398,017.12
LIABILITIES AND NET WORTH							
Current Liabilities:							
Accounts Payable	81,984.77	3,731.56	2,189.09	4,255.12	541.14	9,630.31	102,331.99
Notes Payable	95,000.00	25,000.00	—	50,000.00	—	50,000.00	220,000.00
Due to Officers and Stockholders	36,015.20	—	—	—	—	—	36,015.20
Payroll Payable	367.41	.10	—	305.92	4,851.70	—	5,525.13

(Testimony of D. S. Jeppson.)

Summary Combined Balance Sheets—(Continued.)

"Lane-Wells" Companies, Technicraft Engineering Corp., and Alexander Anderson, Inc.

August 31, 1937

	The Lane-Wells Co.	The Lane-Wells Co. of Texas	The Lane-Wells Co. of Oklahoma	Technicraft Engineering Corp.	Lane-Wells International	Alexander Anderson, Inc.	Combined
Liabilities and Net Worth—(Continued.)							
Royalties Payable	359.55	29.25	—	1,754.52	—	825.00	2,968.32
Taxes Payable	37,673.53	90,743.93	30,203.72	41,408.02	901.52	4,646.82	205,577.54
Interest Payable	974.97	—	—	524.17	—	2,500.00	3,999.14
Accrued Insurance Payable	1,795.27	2,808.62	351.56	—	302.74	245.83	5,504.02
Total Current Liabilities	254,170.70	122,313.46	32,744.37	98,247.75	6,597.10	67,847.96	581,921.34
Other Liabilities:							
Long Term Notes Payable	—	—	—	—	—	50,000.00	50,000.00
Consignments in—Contra	—	—	—	—	—	21,038.50	21,038.50
Total Other Liabilities	—	—	—	—	—	71,038.50	71,038.50

(Testimony of D. S. Jeppson.)

Summary Combined Balance Sheets—(Continued.)

"Lane-Wells" Companies, Technicraft Engineering Corp., and Alexander Anderson, Inc.

August 31, 1937

	The Lane-Wells Co.	The Lane-Wells Co. of Texas	The Lane-Wells Co. of Oklahoma	Technicraft Engineering Corp.	Lane-Wells International	Alexander Anderson, Inc.	Combined
Liabilities and Net Worth—(Continued.)							
Net Worth:							
Capital Stock Issued	25,000.00	25,000.00	10,003.00	25,000.00	25,000.00	7,500.00	117,503.00
Operating Surplus After Income Taxes	226,135.23	202,369.13	55,540.46	130,660.84	4,155.04	8,693.58	627,554.28
Total Net Worth	251,135.23	227,369.13	65,543.46	155,660.84	29,155.04	16,193.58	745,057.28
Inter-Company Balances	13,880.60	127,138.58	5,933.32	80,000.00	47,935.52	12,829.28	—
Total Liabilities and Net Worth	519,186.53	476,821.17	104,221.15	333,908.59	83,687.66	167,909.32	1,398,017.12

(Testimony of D. S. Jeppson.)

TECHNICRAFT ENGINEERING CORP.

5610 South Soto Street, Los Angeles, Calif.

1937

1. Date and Manner of Dissolution:

   Date of Dissolution—October 27, 1937 by consent of stockholders. Notice and certificates filed in accordance with Section 400, Civil Code of California. Assets transferred as of September 1, 1937.

2. Name and address of each shareholder at dissolution and the number and par value of shares of stock held by each of them:

   Shareholder—Lane-Wells Company of Delaware
   Address—5610 South Soto Street, Los Angeles, California
   Number of shares held: 25,000
   Par Value: $1.00

3. A description and value of liquidating assets received by each shareholder:

   See Attached Balance Sheet.

4. Name and address of each individual or corporation other than shareholders and creditors, if any, that received assets at dissolution:

   None.

5. Description and value of assets received by each such individual or corporation:

   None.

6. Consideration, if any, paid by each of them for assets received:

   None.

(Testimony of D. S. Jeppson.)

BALANCE SHEET

TECHNICRAFT ENGINEERING CORP.

August 31, 1937

ASSETS

urrent Assets:			
Cash on Hand and in Bank		18,817.25	
Accounts Receivable—Regular		120.00	
Accounts Receivable — Affiliated Companies		2,554.30	
Notes Receivable		8,500.00	
Royalties Receivable — Affiliated Companies		34,522.13	
Advanced to Employees		1,436.38	
Advanced to Officers		1,436.36	
Total Current Assets			67,386.42
eferred Charges:			
Prepaid Insurance		533.67	
Small Tools		179.45	
Total Deferred Charges			713.12
ixed Assets:			
Land		27,047.76	
Buildings	158,795.45		
Less Reserve for Depreciation	2,678.86	156,116.59	
Machinery and Equipment	1,488.58		
Less Reserve for Depreciation	110.33	1,378.25	
Furniture and Fixtures	1,311.74		
Less Reserve for Depreciation	149.62	1,162.12	
Total Fixed Assets			185,704.72

(Testimony of D. S. Jeppson.)

Balance Sheet—(Continued.)

Assets—(Continued.)

Other Assets:			
Patents and Patents Pending	77,558.01		
Less Reserve for Amortization	33,523.22	44,034.79	
Experimental Developments		24,413.85	
Oil Rights		11,655.69	
Total Other Assets			80,104
Total Assets			333,90

LIABILITIES AND NET WORTH

Current Liabilities:			
Accounts Payable—Regular		4,255.12	
Royalties Payable		1,754.52	
Payroll Payable		305.92	
Notes Payable to Bank		50,000.00	
Notes Payable to Affiliated Companies		80,000.00	
Interest Payable		524.17	
Taxes Payable		41,408.02	
Total Current Liabilities			178,247
Net Worth:			
Capital Stock Issued		25,000.00	
Appropriated Surplus	75,000.00		
Unappropriated Surplus	55,660.84	130,660.84	
Total Net Worth			155,66
Total Liabilities and Net Worth			333,90

(Testimony of D. S. Jeppson.)

TECHNICRAFT ENGINEERING CORP.
5610 South Soto Street, Los Angeles, California

Year 1937 to August 31st

DEPRECIATION SCHEDULE

Year Acquired	Cost and Additions	Prior Deductions	Adjusted Cost January 1, 1937	Prior Depreciation	Reserve 1937	Balance Remaining	Estimated Life	Sales, Etc. 1937	Adjusted Cost 8/31/37	Depreciation 1937	Reserve 8/31/37
Various Furniture & Fixtures	1,311.74	—	1,311.74	62.35	62.35	1,249.39	Various	—	1,311.74	87.27	149.62
Various Machinery & Equipment ..	1,529.17	25.78	1,503.39	19.19	19.19	1,484.20	Various	14,81	1,488.58	91.14	110.33
Various Buildings	167,075.63	7,963.75	159,111.88	627.00	627.00	158,484.88	Various	316.43	158,795.45	2,051.86	2,678.86
Totals.....	169,916.54	7,989.53	161,927.01	708.54	708.54	161,218.47		331.24	161,595.77	2,230.27	2,938.81

(Testimony of D. S. Jeppson.)

TECHNICRAFT ENGINEERING CORP.

5610 South Soto Street, Los Angeles, California

PATENTS August 31, 1937

Numbers	Dates of Issue	Cost 12/31/36	Additions 1937	Total Cost	Reserve 12/31/36	Reserve for 1937	Total Reserve	
P 2029490	2-4-36	1,104.85	—	1,104.85	59.58	64.99	124.57	
S 648037	12-20-32	1,308.87	—	1,308.87	—	—	—	
S 622901	3-27-33	1,339.08	—	1,339.08	—	—	—	
S 694603	10-21-33	1,323.80	54.93	1,378.73	—	—	—	
S 694604	10-21-33	148.65	—	148.65	148.65	—	148.65	Abandoned in 1935
S 694564	10-21-33	1,205.88	—	1,205.88	—	—	—	
S 642370	11-12-32	147.90	—	147.90	147.90	—	147.90	Abandoned in 1935
P 1859744	5-24-32	3,525.75	—	3,525.75	829.60	207.40	1,037.00	
P 1734470	11-5-29	468.85	—	468.85	193.06	27.58	220.64	
P 2061865	11-24-36	962.59	—	962.59	4.72	56.62	61.34	
S 614730	6-1-32	142.98	—	142.98	142.98	—	142.98	
P 1925016	8-29-33	2,648.05	—	2,648.05	195.52	175.18	370.70	
P 1925015	8-29-30	172.95	—	172.95	30.51	10.17	40.68	
P 1926017		202.95	—	202.95	35.82	11.94	47.76	
P 1987919	1-15-35	203.45	—	203.45	23.94	11.97	35.91	
S 631782	9-6-32	151.95	—	151.95	151.95	—	151.95	Abandoned in 1935
P 2061835	11-24-36	1,091.74	555.75	1,647.49	5.35	96.71	102.06	
P 2069974	12-11-36	1,669.29	—	1,669.29	12.27	98.19	110.46	

(Testimony of D. S. Jeppson.)

Technicraft Engineering Corp., 5610 South Soto Street, Los Angeles, California

Patents August 31, 1937—(Continued.)

Numbers	Dates of Issue	Cost 12/31/36	Additions 1937	Total Cost	Reserve 12/31/36	Reserve for 1937	Total Reserve	
P 2033560	3-10-36	1,223.93	—	1,223.93	57.00	71.99	128.99	
P 1925017	8-29-33	177.95	—	177.95	31.41	10.47	41.88	
S 646313	12-10-32	153.90	—	153.90	153.90	—	153.90	Abandoned in 1935
P 1944481	1-23-34	177.93	—	177.93	20.94	10.47	31.41	
P 1582184	4-27-26	12,917.18	13.20	12,930.38	1,727.02	761.85	2,498.87	
P 1822203	9-8-31	100.00	—	100.00	35.28	5.88	41.16	
P 2043340	6-9-36	991.54	—	991.54	37.05	58.33	95.38	
P 2033561	3-10-36	1,072.18	—	1,072.18	49.88	63.07	112.95	
P 2043401	6-9-36	1,234.01	—	1,234.01	39.30	72.59	111.89	
P 2029454	2-4-36	1,110.35	—	1,110.35	59.84	65.31	125.15	
P 2061864	11-24-36	966.10	—	966.10	4.74	56.83	61.57	
P 2037955	4-21-36	960.33	—	960.33	39.95	56.49	96.44	
P 2018163	10-22-35	969.15	—	969.15	57.01	57.01	114.02	
P 2033562	3-10-36	960.33	—	960.33	44.66	56.49	101.15	
P 2043341	6-9-86	960.34	—	960.34	30.61	56.49	87.10	
P 2029491	2-4-36	969.15	—	969.15	52.25	57.01	109.26	
P 2033563	3-10-36	960.33	—	960.33	44.66	56.49	101.15	
S 742646	9-4-34	859.90	—	859.90	—	—	—	
S 742647	9-4-34	859.90	—	859.90	859.90	—	859.90	Abandoned—Prior

(Testimony of D. S. Jeppson.)

Technicraft Engineering Corp., 5610 South Soto Street, Los Angeles, California

Patents August 31, 1937—(Continued.)

Numbers	Dates of Issue	Cost 12/31/36	Additions 1937	Total Cost	Reserve 12/31/36	Reserve for 1937	Total Reserve	
P 2029478	2-4-36	1,524.90	—	1,524.90	52.25	89.70	141.95	
P 2037896	4-21-36	962.58	—	962.58	37.76	56.62	94.38	
S 747714	10-10-34	859.90	—	859.90	—	—	—	
P 2037938	4-21-36	961.33	—	961.33	37.75	56.55	94.30	
Trademark		30.00	—	30.00	30.00	—	30.00	Abandoned in 1935
P 2033564	3-10-36	209.68	—	209.68	10.33	12.33	22.66	
S 17466	4-20-35	115.25	85.75	201.00	—	—	—	
S 19248	5-1-35	109.25	54.93	164.18	—	—	—	
S 19247	5-1-35	109.25	62.93	172.18	—	—	—	
P 2052786	9-11-36	661.69	—	661.69	11.34	38.92	50.26	
S 19835	5-4-35	724.49	85.75	810.24	—	—	—	
S 27024	6-17-35	180.46	54.93	235.39	—	—	—	
S 31391	7-15-35	109.25	85.75	195.00	—	—	—	
S 31392	7-15-35	109.25	85.75	195.00	—	—	—	
P 2062975	12-1-36	515.94	—	515.94	2.53	30.35	32.88	
S 31685	7-16-35	109.25	54.93	164.18	—	—	—	
S 38242	8-28-35	109.25	—	109.25	109.25	—	109.25	Abandoned—Prior
S 41456	9-20-35	109.25	881.85	991.10	—	—	—	
S 48823	11-8-35	194.72	—	194.72	—	—	—	

(Testimony of D. S. Jeppson.)

Technicraft Engineering Corp., 5640 South Soto Street, Los Angeles, California

Patents August 31, 1937—(Continued.)

Numbers	Dates of Issue	Cost 12/31/36	Additions 1937	Total Cost	Reserve 12/31/36	Reserve for 1937	Total Reserve
S 50650	11-20-35	182.69	92.43	275.12	—	—	—
S 563 08	12-27-35	332.33	—	332.33	—	—	—
Candle Invention		80.40	—	80.40	—	—	—
Thermit		122.70	—	122.70	—	—	—
P 1996530	2-2-35	195.44	—	195.44	11.50	11.50	23.00
P RE 16-577	1936	924.43	—	924.43	—	54.38	54.38
S 58864	1-13-36	128.43	—	128.43	—	—	—
S 64007	2-15-36	103.24	85.75	188.99	—	—	—
S 64006	2-15-36	103.25	85.75	103.25	—	—	—
P 2048451	7-12-36	726.76	13.20	739.96	21.37	43.53	64.90
S 21185	5-13-35	111.13	—	111.13	—	—	—
S 87965	6-29-36	100.44	—	100.44	—	—	—
S 85759	6-17-36	107.83	—	107.83	—	—	—
S 83425	6-4-36	100.44	—	100.44	—	—	—
P 2041209	5-19-36	73.44	—	73.44	2.78	4.32	7.10
S 119049	1-4-37	100.44	—	100.44	—	—	—
S 64484	2-18-36	322.94	—	322.94	—	—	—
S 101729	9-21-36	150.44	—	150.44	—	—	—
S 605916	4-18-32	73.53	—	73.53	—	—	—

(Testimony of D. S. Jeppson.)

Technicraft Engineering Corp., 5610 South Soto Street, Los Angeles, California

Patents August 31, 1937—(Continued.)

Numbers		Dates of Issue	Cost 12/31/36	Additions 1937	Total Cost	Reserve 12/31/36	Reserve for 1937	Total Reserve
P 1528805		3-10-25	3,852.93	64.93	3,917.86	642.15	230.66	872.81
P 1822412		9-8-31	521.44	—	521.44	43.45	30.67	74.12
S 124057		1937	—	85.75	85.75	—	—	—
S 132762		1937	—	86.26	86.26	—	—	—
S 132761		1937	—	86.26	86.26	—	—	—
S 137005		1937	—	85.75	85.75	—	—	—
S 139553		1937	—	86.44	86.44	—	—	—
Gun Device		1937	—	580.68	580.68	—	—	—
S 130888		1937	—	1,120.75	1,120.75	—	—	—
S 157180		1937	—	54.93	54.93	—	—	—
S 161627		1937	—	54.93	54.93	—	—	—
S 53362	Argentine	4-11-35	220.85	—	220.85	—	—	—
P 360244	Canada	9-1-36	90.32	—	90.32	5.02	5.02	10.04
S 72933	Holland	3-20-35	489.62	232.83	722.45	—	—	—
S 78663	Holland		19.02	—	19.02	—	—	—
P 21795	India	5-13-36	83.05	—	83.05	7.00	5.19	12.19
P 332795	Italy	12-9-35	164.85	70.51	235.36	10.99	16.32	27.31
P 182/400/195	Iraq	5-21-36	134.05	87.76	221.81	8.36	15.21	23.57
P 157	Persia	5-6-35	310.37	75.76	386.13	27.67	19.66	47.33
P 358908	Mexico	4-24-35	95.26	—	95.26	10.60	8.35	18.95

Technicraft Engineering Corp., 5610 South Soto Street, Los Angeles, California

Patents August 31, 1937—(Continued.)

Numbers		Dates of Issue	Cost 12/31/36	Additions 1937	Total Cost	Reserve 12/31/36	Reserve for 1937	Total Reserve	
P 23806	Roumania	5-28-35	182.34	175.26	357.60	14.46	24.32	38.78	
P 3/35	Trinidad	3-27-35	152.86	—	152.86	17.18	10.92	28.10	
P 1997	Turkey	7-18-35	251.59	130.00	381.59	28.37	26.37	54.74	
S 166889	USSR	4-5-35	333.34	—	333.34	338.34	—	333.34	Abandoned—Prior
P 1598	Venezuela	10-2-35	244.51	119.95	364.46	24.45	37.78	62.23	
S 48021	Poland	11-6-35	272.75	—	272.75	—	—	—	
S T45928	Germany	10-29-35	318.02	44.43	362.45	—	—	—	
S 46777 01/5A	Germany	4-16-36	139.27	—	139.27	—	—	—	
S 46778	Germany	1937	—	44.43	44.43	—	—	—	
	France		40.77	—	40.77	—	—	—	
P 8376	Chili	7-28-36	292.17	—	292.17	8.10	17.09	25.19	
S 1201	Peru	3-6-36	292.17	—	292.17	4.86	29.22	34.08	
S	Columbia	1937	—	204.76	204.76	—	—	—	
S 77606	Holland	4-30-36	256.95	—	256.95	—	—	—	
S 1944/36	Sweden	4-30-36	167.67	36.43	204.10	—	—	—	
S 429717	Canada	4-7-36	85.99	—	85.99	—	—	—	
S 46766	Germany	4-14-36	166.75	—	166.75	—	—	—	
S 399490	France	4-11-36	118.69	76.26	195.95	—	—	—	
P 415107	Belgium	1936	68.41	69.26	137.67	—	8.09	8.09	
S 2703–36	Czecho-Slav.	4-21-36	233.99	—	233.99	—	—	—	
P 34139	Italy	1936	139.75	68.01	207.76	—	13.85	13.85	
S P49681	Poland	4-23-36	248.99	—	248.99	—	—	—	

(Testimony of D. S. Jeppson.)

Technicraft Engineering Corp., 5610 South Soto Street, Los Angeles, California

Patents August 31, 1937—(Continued.)

Numbers		Dates of Issue	Cost 12/31/36	Additions 1937	Total Cost	Reserve 12/31/36	Reserve for 1937	Total Reserve	
S 192575	USSR	4-25-36	310.67	—	310.67	310.67	—	310.67	Abandoned—Prior
S 11776/36	Gr.Britain	4-24-36	122.99	—	122.99	—	—	—	
S 55884	Argentine	7-3-36	225.92	—	225.92	—	—	—	
S 431503	Canada	6-9-36	88.06	31.43	119.49	—	—	—	
S 48469	Germany	6-15-36	250.86	—	250.86	—	—	—	
S 178327	Holland	6-27-36	323.86	—	323.86	—	—	—	
S 23013	India	7-7-36	108.05	—	108.05	—	—	—	
P 233	Persia	1936	276.79	78.75	355.54	6.92	17.93	24.85	
S	Iraq	1936	132.30	—	132.30	—	—	—	
P 342800	Italy	8-20-36	212.35	68.00	280.35	5.31	14.02	19.33	
P 37130	Mexico	6-28-35	127.02	—	127.02	6.35	6.35	12.70	
P 37131	Mexico	6-28-35	127.02	—	127.02	6.35	6.35	12.70	
S 50327	Poland	6-26-36	357.11	—	357.11	—	—	—	
P 25223	Roumania	9-10-36	214.89	74.25	289.14	7.16	19.44	26.60	
P 10/36	Trinidad	7-9-36	167.04	—	167.04	5.96	11.93	17.89	
P 2183	Turkey	1936	322.78	78.75	401.53	—	26.77	26.77	
S 196723	USSR	6-25-36	405.21	—	405.21	405.21	—	405.21	Abandoned—Prior
P 1663	Venezuela	10-29-36	194.02	69.93	263.95	3.24	26.50	29.74	
Totals			71,145.74	6,412.27	77,558.01	7,607.28	3,301.73	10,909.01	

(Testimony of D. S. Jeppson.)

TECHNICRAFT ENGINEERING CORP.
5610 South Soto Street, Los Angeles, California

Item 25-C—Other Deductions

Auto Expense	31.53
Blueprints and Drawings	63.96
Dues and Subscriptions	17.75
Engineering Fees	6,551.43
General Expense	102.07
Heat and Light	317.18
Insurance	118.38
Legal and Auditing	752.45
Materials and Supplies	735.33
Office Expense	40.40
Printing and Stationery	73.47
Royalties Expense	6,448.35
Telephone and Telegraph	12.14
Traveling Expense	10.69
Development Costs Abandoned	4,540.13
Total	19,815.26

TREASURY DEPARTMENT
[illegible]

1937 RETURN
OF
CAPITAL-STOCK TAX
For Year Ending June 30, 1937

DOMESTIC CORPORATIONS

This return must be filed, in triplicate, and received by the Collector of Internal Revenue for your district on or before July 31, 1937. The tax must be paid on or before that date.

DUPLICATE—Page 1

AUG

Name [illegible] ENGINEERING CORP.

Address [illegible] STREET, LOS ANGELES, CALIF.

Name of parent company (if any) None

Name of subsidiary (if any) None

Nature of business [illegible] TOOLS DEVELOPMENT AND ENGINEERING

Incorporated under laws of State of CALIFORNIA

Yes

1936

[illegible] 31, 1936

ORIGINAL DECLARED VALUE OF ENTIRE CAPITAL STOCK $ [illegible]

ADJUSTED DECLARED VALUE OF ENTIRE CAPITAL STOCK (Last item of Schedule 1, page 2) $ 1,827,460.51

EXEMPTIONS.—[illegible]

Declared value	$ 1,827,460.51
Tax at rate of $1 for each $1,000	$ 1,827
Total tax, penalty, and interest	$ 1,827.00

We, the undersigned, E. T. Wells, President, and E. G. Peterson, Secretary, of the corporation [illegible] that this return [illegible] the Revenue Act of 1936 [illegible]

Sworn to and subscribed before me this 29 day of July, 1937

Notary Public

CORPORATE SEAL

The schedules on this page must be filled in by every corporation making adjustments to an original declared value [illegible] established by the return for the year ended June 30, 1933. See instructions [illegible]

SCHEDULE I. ADJUSTMENT OF ORIGINAL DECLARED VALUE OF ENTIRE CAPITAL STOCK FOR [illegible]

TRANSACTIONS DURING THE INCOME TAX TAXABLE YEAR ENDED [illegible]

Original declared value as established by the first return for the [illegible] $ [illegible] 750 000 00

Additions:

(1) (a) Total cash paid in for stock or shares [illegible]

(b) Fair market value of all property received for stock or shares [illegible]

(2) Paid-in surplus and contributions to capital [illegible]

(3) Net income [illegible]

(4) Income [illegible]

(5) Dividends [illegible]

Total additions [illegible]

Deductions:

[illegible]

Capital Stock [illegible]

Additions — Capital [illegible]

Additions — Revenue [illegible]

(Testimony of D. S. Jeppson.)

In addition to my work as Certified public Accountant I was also engaged in tax work. At the time of the filing of the first return of Technicraft, I gave consideration to whether or not Technicraft was a personal holding company. I gave my opinion to Technicraft to the effect that it was not a personal holding company.

I had conferences from time to time with auditors of the Collector of Internal Revenue who examined and audited the returns [380] of Technicraft. In the course of these audits, I advised the auditor of all the facts that are available to the Government now. He had access to all records, papers, documents, and files of Technicraft. The books contained a description of the nature of Technicraft's income as royalty and the books revealed that the stock was owned by four individuals. Technicraft received certain refunds for overassessments. Technicraft received a refund of $278.37 for the year 1935 as shown by letter received from the Collector of Internal Revenue dated June 18, 1937, and received by Technicraft on June 19, 1937.

Thereupon counsel for petitioners offered, and there was received in evidence, marked Petitioners' Exhibit 26, a letter dated June 18, 1937, from the Collector of Internal Revenue addressed to Technicraft Engineering Corp.

(Testimony of D. S. Jeppson.)

PETITIONERS' EXHIBIT No. 26

TREASURY DEPARTMENT

Internal Revenue Service
Los Angeles, Calif.
June 18, 1937.

Office of the Collector
Sixth District of California
In Replying Refer to

IT: Refunds: MB

Jun. 19, 1937, Rec'd.

Technicraft Engineering Corporation,
5610 South Soto Street,
Los Angeles, California.

Receipt is acknowledged of Notice of Refund, which has been signed in accordance with our instructions. There is attached hereto check drawn on the Treasurer of the United States, representing overpayment of Income Tax as indicated below:

Amount	Check Number	Refund	Interest	Year	Schedule Number
$285.70	441,307	$278.47	$7.23	1935	IT :59866

The interest, if any, included herein is taxable income, and must be reported in your income tax return for the year in which received.

NAT ROGAN,
Collector.

#239

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

TREASURY DEPARTMENT

Office of
Commissioner of Internal Revenue
Washington

Income Tax Unit
IT:C:CC Jun. 19, 1937, Rec'd.

Certificate of Overassessment
Number: 1410971
Allowed: $278.47
Schedule No. 59866

Technicraft Engineering Corporation,
4439 Santa Fe Avenue,
Los Angeles, California.

Sirs:

An audit of your income tax return, Form 1120, and a consideration of all the claims (if any) filed by you for the calendar year 1935 indicates that the tax assessed for that year was in excess of the amount due:

	Income Tax	Excess-Profits Tax
Tax assessed:		
Original, account #403021	$6,603.88	$740.58
Correct tax liability	6,399.66	666.33
Overassessment	$ 204.22	$ 74.25

The adjustments producing this overassessment are shown in the revenue agent's report, a copy of which has been furnished you, to which you have consented in a signed agreement.

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

The portion of this overassessment which represents an overpayment, if any, is refunded or credited in accordance with the provisions of section 322 of the Revenue Act of 1934.

The amount of the overassessment will be abated, credited, or refunded as indicated below. (You will be relieved from the payment of any amount abated; if an overpayment has been made and other taxes are due, credit will be made accordingly, and any amount refundable is covered by a Treasury check transmitted herewith.)

Included in the accompanying check is interest in the amount stated below, allowed on the refund or credit.

By direction of the Deputy Commissioner:

Respectfully,

F. J. HUDSON,

Head of Division.

Abated: $

Credited: $

To Tax. Year

Credited: $

To Tax. Year

Refunded: $278.47.

Interest: $7.23.

Note.—The interest, if any, included herein is taxable income, and must be included in your income tax return for the year in which received.

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

TREASURY DEPARTMENT

Washington

Office of— May 5, 1937.

Commissioner of Internal Revenue.

Address Reply to—

Commissioner of Internal Revenue

and Refer to IT:Cl:CC—3:MBW

May 10, 1937, Rec'd.

Technicraft Engineering Corp.,

5610 South Soto Street,

Los Angeles, California.

Sirs:

Receipt is acknowledged of your letter dated April 15, 1937, addressed to the Internal Revenue Agent in Charge, Los Angeles, California relative to an overassessment of income tax for the year 1935.

You are advised that a Certificate of Overassessment has been prepared in the amount of $278.47 and has been forwarded to the Collecter of Internal Revenue, Los Angeles, California for the adjustment of the account.

Any part of the overassessment which has not been paid will be abated; any part thereof which has been paid will be credited to tax due the Government for other years, and the balance, if any, will be refunded by Treasury check.

Respectfully,

CHAS. T. RUSSELL,

Deputy Commissioner.

By T. F. LANGLEY, Head of Division.

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

6/17—Mailed notice of refund to L. A. Office at 939 So. Broadway. $285.70.

TREASURY DEPARTMENT
Internal Revenue Service
939 South Broadway
Los Angeles, Calif.
April 23, 1937.

Office of—
Internal Revenue Agent in Charge,
Los Angeles Division. Apr. 24, 1937, Rec'd.

Technicraft Engineering Corp.,
5610 South Soto Street,
Los Angeles, California.

Dear Sirs:

With reference to your letter of April 15, 1937, inquiring about a refund of income and excess profits tax for the year 1935, you are advised that this office has no information subsequent to the time of forwarding the Revenue Agent's report to Washington on October 17, 1936.

However, your letter is being forwarded to Washington for appropriate attention.

Respectfully,
GEORGE D. MARTIN,
Internal Revenue Agent in Charge.

AGM:CF
CC Bureau.

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

April 15, 1937.

Internal Revenue Service,
939 South Broadway,
Los Angeles, Calif.

Gentlemen:

We have your form letter #892 addressed to the Technicraft Engineering Corp., 4439 Santa Fe Avenue, (present address 5610 So. Soto St.) regarding your report of October 17, 1936 on their 1935 Income and Excess Profits Tax. This report indicates an over-assessment of $304.22 on income tax and $74.25 on excess profits tax. If action has not already been taken by the Commissioner of Internal Revenue at Washington, D. C. kindly advise when we may expect to receive a report on same.

Yours very truly,

TECHNICRAFT ENGINEERING CORP.

By .....

B. G. Peters

BGP: eb

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

IT:R

TREASURY DEPARTMENT

Internal Revenue Service
939 South Broadway
Los Angeles, Calif.

[Seal]

Office of—
Internal Revenue Agent in Charge.
Technicraft Engineering Corp.,
4439 Santa Fe Avenue,
Los Angeles, California.

In re: Income and Excess-Profits Tax.
Date of Report: Oct. 17, 1936.
Years Examined: 1935.

Sirs:—

Inclosed herewith you will find copy of report covering examination recently made by a representative of this office, concerning your income tax liability, which is furnished for your information and files. The original of this report has been forwarded for final action to the Commissioner of Internal Revenue at Washington, D. C.

Kindly acknowledge receipt of the inclosed report to the undersigned by return mail.

Respectfully,

Inclosures:

GEORGE D. MARTIN,
Internal Revenue Agent in Charge.

Form 892
Revised Oct. 1930

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

Form 886-T—August, 1928
Treasury Department
Internal Revenue Service

Examining Officer
V. C. Harp.

Name, Technicraft Engineering Corp.

STATEMENT OF TOTAL TAX LIABILITY

Income Tax

Year	Tax Previously Assessed	Adjustments Proposed in Accompanying Report: Deficiency	Adjustments Proposed in Accompanying Report: Overassessment	Correct Tax Liability
1935	$ 6,603.88	$.....	$ 204.22	$ 6,399.66
Totals	$.....	$.....	$.....	$.....

NOTE

The amount shown in the first column of the above statement is the amount assessed on the original return except as indicated in the following summary of adjustments previously made.

Year 19

Original tax	$.....
Deficiency assessed....., 19 , ...	.....
or	
Overassessment scheduled, 19 , ...	.....
Net tax previously assessed	.....

Year 19

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

Form 886-T—August, 1928
Treasury Department
Internal Revenue Service

Name, Technicraft Engineering Corp.

STATEMENT OF TOTAL TAX LIABILITY

Excess-Profits Tax

Year	Tax Previously Assessed	Adjustments Proposed in Accompanying Report: Deficiency	Adjustments Proposed in Accompanying Report: Overassessment	Correct Tax Liability
1935	$ 740.58	$.....	$ 74.25	$ 666.33
Totals	$.....	$.....	$.....	$.....

NOTE

The amount shown in the first column of the above statement is the amount assessed on the original return except as indicated in the following summary of adjustments previously made.

Year 19

Original tax ..... $.....

Deficiency assessed....., 19 , ...

or

Overassessment scheduled, 19 , ...

Net tax previously assessed..... .....

Year 19

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

Technicraft Engineering Corp. Year 1935

TABLE OF CONTENTS

PRELIMINARY STATEMENT

The above stated overassessment results from allowance of accrued capital stock tax.

The findings of this report were explained to Mr. W. T. Wells, president, who agreed thereto and acceptance form 873 is submitted.

This corporation was organized in 1934 to acquire by purchase and develop patents on oil tools and processes.

Schedule 1

ADJUSTMENT TO NET INCOME

Net income as disclosed by return		48,028.20
As corrected		46,543.20
Net adjustment as computed below		1,485.00
Unallowable deductions and additional income:	None	
Total		None
Nontaxable income and additional deductions:		
(a) Accrued capital stock tax	1,485.00	
Total		1,485.00
Net adjustment as above		1,485.00

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

Technicraft Engineering Corp. **Year 1935**

Schedule 1A

EXPLANATION OF ITEMS

(a) Accrued capital stock tax 1936	1,750.00
Less capital stock tax paid 1935	265.00
Additional deduction allowed	1,485.00

Gross income was accurately reported.

Royalties paid, $2,600.00, represents amounts paid for lease of patents not owned.

Officers are professional engineers and their compensation does not appear excessive.

Legal and auditing expense consists of retainers for professional service and contains no amounts applicable to patent costs.

Bad debts, $3,795.41, represents loss of investment where royalty interests were purchased since incorporation and wells were abandoned in 1935 as nonproductive.

Patent amortization was properly computed upon costs on return. Patents were depreciated on books at 20% of cost resulting in a surplus charge of $7,337.19.

Reserve, $48,600.00 was properly treated as an allocation of surplus.

(Testimony of D. S. Jeppson.)

Petitioners' Exhibit No. 26—(Cont.)

Form 886 C
Treasury Department
Internal Revenue Service
Revised August 1935

Name of corporation, Technicraft Engineering Corp.

Schedule No. 2

COMPUTATION OF TAX

Year ended Dec. 31, 1935

Income Tax

Net income for taxable year		$ 46,543.20
Less net loss (not allowed as a deduction after Jan. 1, 1933)		
Net income		$ 46,543.20
Income tax at 13¾ percent		$ 6,399.66
Less: Income tax paid at source	$	
Taxes paid to a foreign country		
Total income tax assessable		$ 6,399.66
Total previously assessed		6,603.88
Overassessment		$ 204.22
Capital stock value declared on capital stock tax returns for excess-profits tax purposes		$265,732.99
Exemption claimed for excess-profits tax purposes		$ 33,216.62

If a change in excess-profits tax is determined for 1933, computation should be shown below this line.

Net Income as above	46,543.20
E. P. Tax credit	33,216.62
Balance subject to excess-profits tax	13,326.58
Excess-profits tax 5%	666.33
" " " assessed	740.58
Excess-profits tax overassessment	$ 74.25

[Endorsed]: U.S.B.T.A. Filed Jun. 6, 1940.

(Testimony of D. S. Jeppson.)

Thereupon counsel for petitioners offered, and there was received in evidence, marked Petitioners' Exhibit 27, a summary of net income during the calendar year 1937 of either Technicraft Engineering Corp., or Lane-Wells Company, a Delaware corporation, said exhibit being introduced together with a stipulation of counsel that it is a summary taken from the books of Technicraft showing income for the periods designated thereon.

Thereupon counsel for petitioners offered, and there was received in evidence, marked Petitioners' Exhibit 28, a statement of assets and liabilities as shown by the books of Technicraft Engineering Corp., for certain periods, which have a bearing upon the issue of the dividends paid credit. It was stipulated that Petitioners' Exhibit 28 represents a summary of items upon all the books of the taxpayer.

Cross-Examination

The items of merchandise sales by Technicraft were reported as merchandise sales, but were credited to development project accounts to which they related. It was sort of an offset against a patent project. For example, the cost of the making of a par-
[381] ticular model under a patent project was accumulated over a period of time and charged to that account. When the model was sold to the Lane-Wells companies, these same costs were taken out of that account and represented the charge to the Lane-Wells companies. In speaking of a proj-

(Testimony of D. S. Jeppson.)

ect, I mean activities which would result in an acquisition of a patent for some particular purpose. The total amount spent on a project or patent would be regarded as capital and the items capitalized, less the amount of any merchandise which had been charged to that account and subsequently charged to the Lane-Wells companies when sold to them. If a patent was obtained, the net amount would be regarded as capital cost of the patent. In case a patent was not obtained, the net amount would remain in development project account until such time as it was abandoned or otherwise disposed of. If it was determined that a process was of no practical use, it was abandoned and charged off. It was then deducted from the net income of the corporation under the account entitled Development Projects Abandoned, and would be a charge against profit and loss of the company, or the receipts of the corporation. I had contact with the representatives of the Bureau of Internal Revenue in connection with income tax and other tax liabilities of Technicraft, at the time that regular examinations were made. I would have to guess at the dates. One I can come fairly close to would be in the fall of 1936 or the early part of 1937, because of the Revenue Agent's report being dated in June of 1937. I do not recall the name of the Revenue Agent and would have to refresh my memory, the nature of my contact being a matter of the examination of the company's records. I gave him access to the books and records and answered any

(Testimony of D. S. Jeppson.)

questions that he might have had about them. I do not recall any special inquiry that he made. [382]

During the year 1937, for the period beginning January 1, 1937, and ending August 31, 1937, I know of no other books of account that were kept other than the books of account of Technicraft, which would reflect the income on Petitioners' Exhibit 27. All of the income shown on Petitioners' Exhibit 27 is recorded on the books of Technicraft; none of it is allocated to other corporations; and no trustee account or similar account was set up. Referring to Petitioners' Exhibit 28, and particularly to the account designated Taxes Payable as of August 31, 1937, the figure $41,408.02 principally represents accrued income taxes; $27,003.71 being accrued income taxes for 1937 and the remainder being various miscellaneous taxes, such as real estate, etc.

There is no reserve on the books of Technicraft or any record of a liability showing liability or reserve for liabilities for the taxes in controversy in this proceding either as of August 31, 1937, or any time during the year 1937. [383]

Redirect Examination

The first time that I knew that any claim was being made that Technicraft was a personal holding company was during the latter part of 1937 or the early part of 1938, which was approximately a year and six months after the reorganization of June 1, 1937. I first learned of the fact when a Revenue Agent came into the office of Lane-Wells

(Testimony of D. S. Jeppson.)

Company to verify or examine the records of all of the companies to determine the adequacy of the reorganization agreement. Sometime subsequent to his examination, he notified us or raised the question of personal holding company in connection with Technicraft. This was the first time that I or any of the officers of the company knew of any such claim. In the return of Technicraft for the year 1935 (Petitioners' Exhibit 23), I designated the nature of the income of Technicraft as "services, professional, business, amusement, domestic and all other" and I did not show the income as royalty, but as compensation for services. To the best of my recollection, in preparing the return for that year, knowing as I did the nature of the income of Technicraft, it was so designated. There was no particular reason why it should have been designated that way that year and some other way in the other years.

In 1936 I indicated that the nature of the business was "machinery, electrical and equipment, other metals, products and processes, and professional and scientific instruments," but the statement under item 26 showed income as royalty. I cannot explain why the term [384] "royalty" was used on the books of Technicraft to income that it received from the various Lane-Wells companies other than it was merely a term to designate income. Any other term might have been used.

Thereupon counsel for petitioners offered, and there was received in evidence, marked Pe-

(Testimony of D. S. Jeppson.)

titioners' Exhibit 29, the report of Revenue Agent transmitted to Technicraft Engineering Corporation on October 21, 1938, such document being received by the Board for the limited purpose of showing how the Commissioner determined the deficiency.

Petitioners rested.

The Respondent rested without introduction of any evidence whatsoever.

Petitioners Lane-Wells Company and Technicraft Engineering Corporation tender and present the foregoing as their Statement of Evidence in the above consolidated case, and pray that the same may be approved by the United States Board of Tax Appeals and made a part of the record in this cause.

R. DECHTER,
Attorney for Petitioners

Agreed to.

J. P. WENCHEL,
Counsel for Respondent

[Endorsed]: U. S. B. T. A. Filed June 15, 1942.

[385]

[Title of Circuit Court of Appeals and Causes.]

STIPULATION

Whereas, Lane-Wells Company has appealed from the decision of the United States Board of Tax Appeals in Docket No. 99829; and

Whereas, Technicraft Engineering Corporation has appealed from the decision of the United States Board of Tax Appeals in Docket No. 99830; and

Whereas, said appeals are now pending in the United States Circuit Court of Appeals for the Ninth Circuit; and whereas said two cases aforementioned were consolidated in the United States Board of Tax Appeals by stipulation of counsel and order of the United States Board of Tax Appeals upon the trial of said cases; and

Whereas, but one trial was held and one opinion and judgment entered in said Board of Tax Appeals; and

Whereas, the matters pending on appeal can be disposed of most expeditiously if the said appeals are now consolidated; [386]

Now, Therefore, It Is Hereby Stipulated and agreed by and between the parties hereto through their respective counsel that the appeals taken by Lane-Wells Company and Technicraft Engineering Corporation in the above entitled cases may both be consolidated and heard by the United States Circuit Court of Appeals for the Ninth Circuit under one transcript for said cases.

Dated this 19th day of March, 1942.

R. DECHTER,
Attorney for Petitioners

J. P. WENCHEL,
Chief Counsel, Bureau of Internal Revenue

It is so ordered March 20, 1942.

FRANCIS A. GARRECHT,
Justice of the Circuit Court of Appeals of the United States for the Ninth Circuit.

A true copy:
Attest: March 20, 1942.

PAUL P. O'BRIEN, Clerk.

[Endorsed]: (S) Paul P. O'Brien. Filed March 20, 1942.

[Endorsed]: U. S. B. T. A. Filed March 27, 1942.

[387]

[Title of Board and Causes.]

CERTIFICATE OF CLERK TO TRANSCRIPT OF RECORD

I, B. D. Gamble, clerk of the U. S. Board of Tax Appeals, do hereby certify that the foregoing pages, 1 to 392, inclusive, contain and are a true copy of the transcript of record, papers, and proceedings on file and of record in my office as called for by the Praecipe in the appeal (or appeals) as above numbered and entitled.

In testimony whereof, I hereunto set my hand and affix the seal of the United States Board of Tax Appeals, at Washington, in the District of Columbia, this 25th day of June, 1942.

[Seal] B. D. GAMBLE,
Clerk, United States Board of Tax Appeals.

In the United States Circuit Court of Appeals for the Ninth Circuit

No. 10183

B. T. A. Docket No. 99829

GUY T. HELVERING, Commissioner of Internal Revenue,

Petitioner on Review,

vs.

LANE-WELLS COMPANY, TRANSFEREE,

Respondent on Review,

LANE-WELLS COMPANY,

Petitioner on Review,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent on Review.

ORDER EXTENDING TIME FOR TRANSMISSION AND DELIVERY OF PETITION FOR REVIEW

Upon consideration of the joint motion filed herein by the respective parties on review and good cause appearing to the Court for the granting of such motion, it is by the Court ordered:

That the motion is granted as made and that the time for the preparation and transmission to the Clerk of this Court of the records sur petition for

review filed in the above-entitled cause be and it hereby is extended to and including June 22, 1942.

It is Further Ordered that the Clerk of this Court is directed to transmit to the Clerk of the Board of Tax Appeals a certified copy of this order.

FRANCIS A. GARRECHT,
Judge, U. S. Circuit Court of Appeals

Now, June 27, 1942, the foregoing order certified from the record as a true copy.

[Seal] B. D. GAMBLE,
Clerk, U. S. Board of Tax Appeals.

A true copy:
Attest:
[Seal] (s) PAUL P. O'BRIEN,
March 14, 1942.

[Endorsed]: Filed March 14, 1942. Paul P. O'Brien, Clerk.

[Endorsed]: U. S. B. T. A. Filed March 18, 1942.

[Title of Circuit Court of Appeals and Cause—B.T.A. Docket 99830.]

ORDER EXTENDING TIME FOR TRANSMISSION OF PETITION FOR REVIEW

Upon consideration of the *m*oint motion filed herein by the respective parties on review and good cause appearing to the Court for the granting of such motion, it is by the Court ordered:

That the motion is granted as made and that the

time for the preparation and transmission to the Clerk of this Court of the records sur petition for review filed in the above-entitled cause be and it hereby is extended to and including June 22, 1942.

It is Further Ordered that the Clerk of this Court is directed to transmit to the Clerk of the Board of Tax Appeals a certified copy of this order.

FRANCIS A. GARRECHT,
Judge, U. S. Circuit Court of Appeals.

Now, June 27, 1942, the foregoing order certified from the record as a true copy.

[Seal] B. D. GAMBLE,
Clerk, U. S. Board of Tax Appeals

A true copy:
Attest: March 14, 1942.
[Seal] (s) PAUL P. O'BRIEN,

[Endorsed]: Filed March 14, 1942. Paul P. O'Brien, Clerk.

[Endorsed]: U. S. B. T. A. Filed March 18, 1942.

[Title of Circuit Court of Appeals and Causes—B.T.A. Docket Nos. 99829, 99830.]

ORDER EXTENDING TIME FOR TRANSMISSION OF PETITION ON REVIEW

Upon consideration of the joint motion filed herein by the petitioners on review, and good cause appearing to the Court for the granting of such motion, It is by the Court Ordered:

That the motion is granted as made and that the

time for the preparation and transmission to the Clerk of this Court of the record sur petition for review filed in the above entitled cause be and it hereby is extended to and including July 22, 1942.

It is Further Ordered that the Clerk of this Court is directed to transmit to the Clerk of the Board of Tax Appeals a certified copy of this order.

CURTIS D. WILBUR,
Judge, U. S. Circuit Court of Appeals.

Now, June 27, 1942, the foregoing order certified from the record as a true copy.

[Seal] B. D. GAMBLE,
Clerk, U. S. Board of Tax Appeals.

[Endorsed]: Filed June 17, 1942 Paul P. O'Brien, Clerk.

A true copy:

Attest:

[Seal] (s) PAUL P. O'BRIEN,
Clerk.

June 17, 1942.

[Title of Board and Causes.]

ORDER RE EXHIBITS

The praecipe filed in the above proceedings at item 9 calls for the inclusion of all exhibits in the review record. Exhibits 6, 7, 8, 9, 10, 11, 12 and 13 are not susceptible to reproduction in the printed record, and it is therefore,

Ordered: That pursuant to the provisions of Rule 75, Paragraph i of the Rules of Civil Procedure as adopted by the United States Circuit Court of Appeals for the Ninth Circuit, the Clerk of the Board transmit with the transcript of record the originals of Exhibits 6, 7, 8, 9, 10, 11, 12 and 13 for such use as the Court may deem necessary, and with instructions to the Clerk of the Court to return to the Board said original Exhibits after they have served their purpose in the Court.

(Signed) EUGENE BLACK,
Member.

Dated: Washington, D. C. June 19, 1942.

Now, June 27, 1942, the foregoing order certified from the record as a true copy.

[Seal] B. D. GAMBLE,
Clerk, U. S. Board of Tax Appeals.

[Endorsed]: No. 10183. United States Circuit Court of Appeals for the Ninth Circuit. Lane-Wells Company, a corporation, and Technicraft Engineering Corporation, Petitioners, vs. Commissioner of Internal Revenue, Respondent. Transcript of the Record. Upon Petitions to Review a Decision of the United States Board of Tax Appeals.

Filed July 1, 1942.

PAUL P. O'BRIEN,
Clerk of the United States Circuit Court of Appeals for the Ninth Circuit.

United States Circuit Court of Appeals
For the Ninth Circuit

No. 10183

B. T. A. No. 99829

LANE-WELLS COMPANY,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

B. T. A. No. 99830

TECHNICRAFT ENGINEERING CORPORATION,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DESIGNATION OF POINTS TO BE RELIED UPON ON REVIEW

Come now the petitioners and in pursuance of Subdivision 6, Rule 19 of the Rules of this Court, and do hereby file their statement of the points upon which petitioners intend to rely in this review.

1. The United States Board of Tax Appeal erred in determining that Technicraft Engineering Corporation was a personal holding company for the years 1934 to 1937 inclusive.

2. The said Board erred in failing to determine that the amounts of Technicraft's income designated as royalty were in fact compensation for tangible services rendered to affiliated corporations and as such did not constitute "personal holding company income" within the meaning of the Revenue Acts applicable.

3. The said Board erred in basing its decision in part upon the ground that no evidence was introduced to show what portion of Technicraft's income, if any, was derived from engineering services or from non-patentable devices as distinguished from patents, the evidence being clear and convincing that none of the income was attributable to compensation for the use of patents, but that all of said income was for engineering services.

4. The Board erred in its finding that the agreement between W. G. Lane and W. T. Wells to set aside 15% of gross income for research and development was limited only to Lane-Wells Co., a California corporation, the evidence being clear and convincing that it was the agreement that they were to set aside 15% of all their gun perforating business, and not limited alone to Lane-Wells Co., a California corporation.

5. The Board erred in holding that despite Technicraft's good faith and reasonable cause in not filing forms 1128 that the assessment of penalty was nevertheless mandatory.

6. The Board erred in holding that the failure of Technicraft to file form 1120H for the years

1934 to 1935 prevented the statute of limitations from barring assessments with respect to the 1934 and 1935 income of Technicraft.

Dated this 12 day of Aug., 1942.

RAPHAEL DECHTER,
By HARRY A. PINES,
Attorneys for Petitioners.

[Endorsed]: Filed Aug. 13, 1942.

[Title of Circuit Court of Appeals and Causes.]

DESIGNATION BY THE PETITIONERS OF PORTIONS OF RECORD NECESSARY FOR CONSIDERATION OF PETITIONS FOR REVIEW

Come now the Petitioners and in pursuance of Subdivision 6, Rule 19 of the Rules of this Court, file this, their designation of the portions of record necessary for consideration of the Petitions for Review.

1. Docket entries of proceedings before the Board of Tax Appeals in each of the above docket numbers;

2. Original petitions filed by petitioners Lane-Wells Company and Technicraft Engineering Corporation;

3. Answers to said original petitions;

4. Findings of Fact and Opinion of Board promulgated on January 31, 1941, being 43 B. T. A. No. 63;

5. Supplemental Opinion of the Board modify-

ing some of its former Findings and Conclusions, September 25, 1941;

6. Judgment and final order of the Board, of November 19, 1941;

7. Petitions for Review filed by the above petitioners on February 16, 1942;

8. Petitioners' Exhibits 1 to 13 inclusive and 22 to 26 inclusive.

9. All of the statement of evidence proposed by the Petitioners except the following eliminations, to-wit:

(a) Eliminate all of the second paragraph on page 20 starting with the words, "I am familiar * *", and ending at the caption "Cross-Examination", in the middle of page 21.

(b) Eliminate all of the paragraph on page 24 starting with the words "When Lane-Wells Company * *" and ending with "about September 27th."

(c) Eliminate the last three paragraphs on page 26. (indented)

(d) Eliminate the last paragraph on page 35, starting with the words "The assets of Technicraft * *" including the first three lines on page 36.

10. Orders extending time for transmission and delivery of record and order extending time for the payment of the estimated expense of printing record;

11. This Designation of portions of the record;

12. Designation of points to be relied upon on review;

13. Stipulation of March 19, 1942 for consolidation of records and order thereon of March 20, 1942;

14. Notice of filing of this Designation and admission of service thereof;

15. Notice of filing of Designation of points relied upon on review.

Dated this 12th day of August, 1942.

RAPHAEL DECHTER,
By HARRY A. PINES,
Attorneys for Petitioners.

[Endorsed]: Filed Aug. 12, 1942.

DESIGNATION BY THE RESPONDENT OF ADDITIONAL PORTIONS OF RECORD TO BE PRINED

(Western Union Telegram)

FAX117 Gvt. TWS Paid 3—Washington D. C. 25 644 P

Paul P. O'Brien

Clerk Circuit Court of Appeals Ninth Circuit S Fran

Re number ten one eighty three Lane Wells Company and Technicraft Engineering Corporation against Commissioner respondent designates for printing following portions of Record in addition to those designated by petitioners color: petitioners exhibits nineteen comma twenty and twenty one stop We are duplicating this wire to petitioners counsel (45 GRS)

SAMUEL O. CLARK, JR.
Assistant Attorney General

(45 GRS)

[Endorsed]: Filed Aug. 26, 1942.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 10183

LANE-WELLS COMPANY, A CORPORATION, AND TECHNICRAFT ENGINEERING CORPORATION, PETITIONERS

vs.

COMMISSIONER OF INTERNAL REVENUE, RESPONDENT

Upon Petitions to Review Decisions of the Tax Court of the United States

Proceedings Had in the United States Circuit Court of Appeals for the Ninth Circuit

Excerpt from Proceedings of Wednesday, January 27, 1943

Before DENMAN, HANEY, *and* HEALY, Circuit Judges.

Order of submission

Ordered petition to review herein argued by Mr. Raphael Dechter, counsel for petitioners, and by Mr. Arthur A. Armstrong, Special Assistant to the Attorney General, counsel for respondent, and submitted to the court for consideration and decision.

Excerpt from Proceedings of Wednesday, February 10, 1943

Order directing filing of opinion and filing and recording of judgment

By direction of the Court, ordered that the typewritten opinion[1] this day rendered by this Court in above cause be forthwith filed by the clerk, and that a judgment be filed and recorded in the minutes of this court in accordance with the opinion rendered.

Judgment

Upon petitions to review decisions of the Tax Court of the United States.

This cause came on to be heard on the Transcript of the record from the Tax Court of the United States, and was duly submitted:

On consideration whereof, it is now here ordered and adjudged by this Court, that the decisions of the said Tax Court of the United States

[1] Opinion withdrawn by order of March 22, 1943.

in this cause be, and hereby are reversed, and that this cause be, and hereby is remanded to the said Tax Court of the United States for a recomputation of petitioners' income taxes for 1934, 1935 and 1936 in accordance with the opinion of this court.

[Endorsed:] Judgment. Filed and entered February 10, 1943. Paul P. O'Brien, Clerk.

Excerpt from Proceedings of Monday, March 22, 1943

Before DENMAN, HANEY, and HEALY, Circuit Judges.

Order directing withdrawal of opinion heretofore filed, and filing of opinion and denying petition for rehearing

By direction of the Court, it is ordered that the opinion of this court heretofore filed herein on February 10, 1943, be, and hereby is withdrawn, and that the opinion this day rendered in this cause be forthwith filed by the clerk.

Upon consideration of the petition for rehearing of respondent, filed February 27, 1943, and within time allowed therefor by rule of court, for a rehearing of above cause, and by direction of the court, it is ordered that said petition be, and hereby is denied.

In the United States Circuit Court of Appeals for the Ninth Circuit

No. 10,183—Mar. 22, 1943

LANE-WELLS COMPANY, A CORPORATION, AND TECHNICRAFT ENGINEERING CORPORATION, PETITIONERS

vs.

COMMISSIONER OF INTERNAL REVENUE, RESPONDENT

Upon petition for rehearing

Before DENMAN, HANEY, and HEALY, Circuit Judges.

The opinion filed in this case on February 10, 1943, is hereby withdrawn, and the following substituted therefor:

DENMAN, Circuit Judge:

The petitioning corporations seek a review of a decision of the United States Board of Tax Appeals, now Tax Court of the United States, sustaining respondent's determination of deficiencies and penalties on income surtax for the tax years 1934, 1935, and 1936 under the personal holding company income tax provisions of the Revenue Acts of 1934 and 1936.

On June 1, 1939, the Commissioner of Internal Revenue mailed to the Technicraft Engineering Corporation, transferor, and Lane-Wells Company (a Delaware corporation), transferee, respectively, notices asserting various tax deficiencies, including deficiencies in personal holding company surtax income and 25 per cent penalties for failure to file personal holding company returns for the three tax years in question.

Both the transferor and the transferee duly filed petitions for review, upon which the Board entered its decisions against both, sustaining the deficiencies and penalties.

The cases are brought to this court by petitions for review filed by the transferor and transferee. Pursuant to stipulation of the parties, this court ordered consolidation of the two appeals.

Petitioner Lane-Wells Company was formed in 1937 to take over the business of petitioner Technicraft Engineering Corporation and its affiliated companies. In 1937, following a reorganization in which Lane-Wells Company of Delaware acquired the stock of Technicraft, the latter conveyed all its assets to the Delaware corporation and was dissolved.

A. The validity of the returns as affecting the time limiting statutes and penalties.—The Board found that Technicraft, in good faith, claimed in its returns that it was not a personal holding company. It found further that the returns, filed in due time, showed all the facts necessary for the respondent to compute the taxes as a personal holding company obligation.[2]

However, the incomes were returned on Form 1120 for taxing corporations not holding companies, instead of Form 1120H for taxing holding company corporations. The Commissioner, upheld by the Board, drew the legal conclusion that such a return was "no return" whatsoever, and hence he was entitled to determine deficiencies thereon at any time—here in 1939, over four years after the 1934 return and over three years after the 1935 return were filed. It is not questioned that the 1936 return was assessed within the statutory time limit. The Commissioner also determined penalties of 25 per cent for each year on the theory that Technicraft had failed to file any returns and the penalties were upheld by the Board.

We do not agree that the returns are to be deemed not made. They started the running of the time for assessment.

Construing analogous statutes of limitation, the Supreme Court holds that where one kind of income taxpayer in good faith files a return on a form provided for another kind of income taxpayer, which return disclosed the facts upon which the Commissioner may compute the income tax actually due from the taxpayer, the return filed is a return which starts the running

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[2] The finding is

"4. * * * Taxpayers income and excess profits tax returns filed on Form 1120 made a full disclosure of its gross income and deductions and its resulting net income. * * * *"

of the time within which the Commissioner may assess the tax. Germantown Trust Company, Trustee, v. Commissioner, 309 U. S. 304, 307, 310. The pertinent language of the Supreme Court and the cases cited showing the principle to be long recognized are (p. 310),

"It cannot be said that the petitioner, whether treated as a corporation or not, made no return of the tax imposed by the statute. Its return may have been incomplete in that it failed to compute a tax, but this defect falls short of rendering it no return whatever. Zellerbach Paper Co. v. Helvering, 292 U. S. 172, 180; Commissioner v. Stetson & Ellison Co., 43 F. 2d 553; United States v. Tillinghast, 69 F. 2d 718; Mabel Elevator Co., 2 B. T. A. 517; Abraham Werbelovsky, 8 B. T. A. 442, 446; Estate of F. M. Stearns, 16 B. T. A. 899; J. R. Brewer, 17 B. T. A. 704."

See also, Denman v. Motter (D. Kan. 1930) 44 F. 2d 648, where no form available and return made on plain paper.

We are unable to see any difference in principle between the Germantown decision and the instant case, where one of the class of income taxpayers called "holding companies" files, in good faith, a return on a form provided for companies not holding companies which discloses the facts necessary to compute the tax due from the holding company.

The Board attempts to distinguish the Germantown case on the ground that though both forms 1120 and 1120H are for income taxpayers under the income tax provisions of the Act of 1934, taxpayer used Form 1120 under a tax imposed on it under Title I of the Act, while taxpayer should have used Form 1120H under a tax imposed by Title I A. The attempted distinction is that the tax under Title I is a "separate and distinct tax" from the tax under Title IA. The distinguishing is not sound. In the Germantown case the fiduciary return on Form 1041 returns income which is for computing a separate and distinct tax either on the trustee or the beneficiary. The tax on either is as much a "separate and distinct tax" from that on "associations taxable as corporations" as are separate and distinct the taxes on holding companies and companies not holding companies. Both are income taxes imposed by the same Act. The Act makes the statute of limitations applicable alike to all classes of returns.

The Treasury Department in 1934 attempted to forestall the rule of the Germantown case, established in 1940, by incorporating in the Regulations providing Form 1120H for holding companies a similar erroneous conclusion of law. This conclusion of law is stated in the Regulations as, "However, since the surtax imposed under Title IA is a distinct and separate tax from those imposed under Title I, the making of a return under Title I will not start the period of limitation for assessment of the surtax imposed under Title IA." Art. 351-8, Treasury Regulations 86, promulgated under the Revenue Act of 1934.

The respodent's contention is that, despite the holding of the Germantown case, the contrary construction of the law placed in a regulation makes the construction of law a regulation within the regulatory

power of the Secretary of the Treasury. The statement of the proposition answers it. It is the function of the courts and not the Secretary to determine the legal effect of his Regulations requiring the use of forms for different classes of taxpayers.

The limitation and penalty provisions of the Revenue Act of 1934 here in question are (28 U. S. C. A. § 275, § 276, § 291, § 311).

"§ 275. Period of Limitation upon Assessment and Collection

Except as provided in 276—

(a) General Rule.—The amount of income taxes imposed by this title shall be assessed within three years after the return was filed, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period.

* * * * * * *"

(a) False Return or No Return.—In the case of a false or fraudulent return with intent to evade a tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

* * * * * * *"

"§ 291. Failure to File Return

In case of any failure to make and file a return required by this title, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, 25 per centum of the tax shall be added to the tax, * * *."

"§ 311. [Transferee liability.] * * *

(b) Period of limitation.—The period of limitation for assessment of any such liability of a transferee or fiduciary shall be as follows:

(1) In the case of the liability of an initial transferee of the property of the taxpayer—within one year after the expiration of the period of limitation for assessment against the taxpayer; * * *."

The 1934 taxes were not assessed within the four years of § 311, and Lane-Wells, transferee, is not liable for the tax for that year. Nor is Technicraft liable for the 1934 and 1935 taxes, assessed more than the three years of § 275 after its returns for those years.

Concerning the 1935 taxes, Lane-Wells claims that the Board could not hold it liable because of a stipulation that "Lane-Wells is liable as transferee for any taxes which may be found due from Technicraft." It contends that such a stipulation prevented the Board from holding it liable for a tax as transferee, after the statutory three year limit for assessing Technicraft. We do not agree. We are not required to determine whether the Commissioner has the power to waive any tax by stipulating that the time limited in the statute for assessment has passed, when it is apparent that it has not. Here the stipulation, while stating that the transferee is liable for the tax due from the transferor, does not state that it is not liable for a tax which was due from the transferor but no longer collectible from the transferor because of the three year statute of limitation. We hold that the Commissioner properly assessed against Lane-Wells, as transferee a tax in the amount

of that owed by Technicraft for the year 1935, though not assessable against the latter.

Since, under the Germantown decision, the good faith return of all facts necessary to compute a tax is a "return," though on a form for a different taxpayer, the Board erred in upholding the penalties determined by the Commissioner under § 276 and § 291 for the tax years 1934, 1935 and 1936.

B. Technicraft is a personal holding company and it and Lane-Wells, transferee, are liable for deficiencies assessed against Technicraft for the years 1935 and 1936.[2]

Technicraft, a California corporation, with its principal office in Los Angeles, was organized in December 1932. Throughout the periods in controversy its entire stock was owned by W. G. Lane, W. T. Wells, and their wives. These four individuals also owned the entire stock of Lane-Wells Company of California, Lane-Wells Company of Oklahoma, Lane-Wells Company of Texas, and Lane-Wells International, Inc. Lane and Wells were directors and officers of the various affiliated companies. Petitioners concede that Technicraft is liable for the tax as a holding company, unless they have maintained their burden of proof before the Board that the Commissioner erred in deciding that 80 per cent of Technicraft's income in 1935 and 1936 was from "royalties" as defined in Treasury Regulations 94 promulgated for the Revenue Act of 1936, of which Art. 351–2 (1) provides,

> "(1) *Royalties.*—The term 'royalties' includes amounts received for the use of or for the privilege of using patents, copyrights, secret processes and formulas, good will, trade marks, trade brands, franchises, and other like property. * * *."

The Board held that the income taxed by the Commissioner was made up in large part from royalties as so defined. There was no segregation in the evidence of the amounts other than royalties, or proof that such other amounts exceeded 20 per cent of the income. Since the evidence shows a very substantial portion of the income to be royalties and there is no segregation, the finding of the Board that petitioners have not proved their negative, i. e., that the royalties did not equal 80 per cent of the income, must be sustained.

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[2] Revenue Act of 1936, c. 690, 49 Stat. 1648:

"SEC. 351. SURTAX ON PERSONAL HOLDING COMPANIES.

* * * * * * *

(b) Definition.—As used in this title—

(1) The term 'personal holding company' means any corporation (other than a corporation exempt from taxation under section 101, and other than a bank as defined in section 104, and other than a life-insurance company or surety company) if—(a) at least 80 per centum of its gross income for the taxable year is derived from royalties, dividends, interest, annuities, and (except in the case of regular dealers in stocks or securities) gains from the sale of stock or securities, and (b) at any time during the last half of the taxable year more than 50 per centum in value of its outstanding stock is owned, directly or indirectly, by or for not more than five individuals. * * *."

Petitioners further contend that none of the income consisted of royalties, because—although it was so denominated in agreements with the held companies—there was a prior agreement between Technicraft and the companies that all that was to be paid by them to Technicraft was for engineering services. We assume there was testimony from which such an agreement might be inferred. Our review, however, is confined to the determination whether "there is substantial evidence to support the conclusion" of the Board to the contrary. Helvering v. Kehoe, 309 U. S. 277, 279. There is abundant such evidence.

Technicraft had patent rights in a perforator device known as the Mims patent, for shooting into oil bearing stratification or through oil well piping to free the flow of mineral oil or gas. The held companies were in the business of furnishing such perforator services. Technicraft made contracts with each of the held companies for the use of the Mims patent, for which each agreed to pay a "royalty" of 15 per cent of its gross receipts. It was the moneys so denominated "royalties" which Technicraft received which it returned to the Treasury for 1935 and 1936, also stating them to be "royalties." In the royalty agreements with the Oklahoma and Texas companies it was provided,

"I. Definitions:

The term 'Perforators' shall be construed to mean not only the patent specifically mentioned hereinbefore, but also any and all inventions, applications, patents and any continuations, divisions, and or reissues thereof and whether in the nature of apparatus or processes which the Licensor [Technicraft] now owns or controls or which it may at any time during the life of this agreement own or control and which relate or are accessories to said Perforators. The term 'Patent Rights' shall be construed to embrace as a group all the patents and applications herein specified or referred to or implied. The term 'gross receipts' shall be construed to mean the total receipts derived in any manner whatsoever from the manufacture and/or use of any and all apparatus or processes covered by said Patent Rights without deductions of any kind or character.

* * * * * * *"

"IV. Royalties:

The royalty payments on the Patent Rights herein licensed shall be fifteen percent (15%) of the gross receipts; minimum royalties shall be not less than Seven Hundred and Fifty Dollars ($750.00) per month.

* * * * * * *"

Technicraft conducted experiments, purchased test instruments, and built models of devices, some of which were sold to the Lane-Wells Company of California. Lane and Wells and employees of Technicraft assigned more than 50 patents to Technicraft. Technicraft owned at least 19 abandoned and unfiled inventions. In 1935 it had from 85 to 100 patents or patent applications which it was furnishing to the Lane-Wells companies by June 1, 1937, and of which seven or eight related to the basic principle of the Mims patent.

Obviously, the Board could reject the testimony of the prior agreements that the furnishing of these patents and models and mechanical devices or processes were mere professional engineering services paid for by the 15 per cent of gross income. It could infer that the transactions were just what they were called, "licenses" to use the patents models and devices upon which 15 per cent of the gross income from their use constituted "royalties." As stated, if, in addition to the licensed matter, non-royalty devices were given for the same 15 per cent consideration, there was no segregation to show that they amounted to over 20 percent of the taxed income. The Board properly decided that there were deficiencies in petitioners' income taxes for the years 1935 and 1936 in the amounts found in its decision.

Reversed and remanded for a recomputation of petitioners' income taxes for 1934, 1935 and 1936 in accord with this opinion.

Reversed and remanded.

The petition for rehearing is denied.

[Endorsed:] Opinion on Petition for Rehearing. Filed Mar. 22, 1943. Paul P. O'Brien, Clerk.

United States Circuit Court of Appeals for the Ninth Circuit

No. 10183

LANE-WELLS COMPANY, A CORPORATION, AND TECHNICRAFT ENGINEERING CORPORATION, PETITIONERS

vs.

COMMISSIONER OF INTERNAL REVENUE, RESPONDENT

Certificate of clerk, U. S. Circuit Court of Appeals for the Ninth Circuit, to record certified under rule 38 of the revised rules of the Supreme Court of the United States

I, Paul P. O'Brien, as Clerk of the United States Circuit Court of Appeals for the Ninth Circuit, do hereby certify the foregoing two hundred-eighty-seven (287) pages numbered from and including 1 to and including 287, to be a full, true, and correct copy of the entire record, excluding certain original exhibits, of the above-entitled case in the said Circuit Court of Appeals, made pursuant to request of counsel for the respondent and certified under Rule 38 of the Revised Rules of the Supreme Court of the United States, as the originals thereof remain on file and appear of record in my office.

Attest my hand and the seal of the said the United States Circuit Court of Appeals for the Ninth Circuit, at the City of San Francisco, in the State of California, this 9th day of June 1943.

[SEAL] PAUL P. O'BRIEN, *Clerk.*

U. S. GOVERNMENT PRINTING OFFICE 1943

Supreme Court of the United States

Order Allowing Certiorari

Filed October 11, 1943

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Ninth Circuit is granted, and the case is transferred to the summary docket and assigned for argument immediately following No. 1. R. *Simpson & Co., Inc.*, vs. *Commissioner of Internal Revenue*.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.